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HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

Vol. VII, No. 4

December 10, 1982

PRODUCTION FIGURES FOR THE FIRST 10 MONTHS OF 1982

Product	Oct. 1982	Jan.-Oct. 1982	% Jan.-Oct. 1982 over Jan.-Oct.'81
Electricity (bil. kw. hrs)	116.0	1133.0	103.0
Petroleum (including gas cond.) (mil. tons)	52.7	509.0	100.4
Natural Gas (bil.cu.m.)	43.8	412.0	108.0
Coal (mil.tns)	57.9	597.0	102.0
Steel (mil.tns)	12.2	123.0	99.0
Fertilizers (mil.tns)	2.0	22.3	102.0
Metal-Cutting Tools (mil. rubles)	161.0	1727.0	105.0
Computer Tech. (bil.rubles)	.2	2.4	110.0
Watches (mils.)	5.7	58.1	102.0
Radios (mils.)	.7	7.2	100.6
Television sets (mils.)	.7	6.9	102.0
Color Tvs (mils)	.2	2.5	115.0
Paper (mil.tns)	.5	4.5	100.4
Cement (mil.tns)	10.6	103.0	97.0
Meat (mil.tns)	.8	6.9	98.0
Margerine (1000 tons)	.1	1.2	105.0
Automotive Vehicles (mils.)	.2	1.8	99.0
Tractors (1000s)	44.9	461.0	99.5

The production situation has changed a bit from what it was in our last Newsletter, where we reported on production in September 1982.

The biggest change reflects the fact that petroleum production for October 1982 over October 1981 is up by 1.7%. You will remember that in September there was a slight drop. That puts production for the ten months as a whole up by .4%.

At the same time, the coal production situation has deteriorated again. While coal production for the whole 10 month period is up by 2% over the preceding year, production for October 1982 over October 1981 shows a drop of 2%. It will be interesting to see what happens in the remainder of the year.

PETROLEUM EXPORTS TO THE HARD CURRENCY COUNTRIES CONTINUED TO INCREASE

As we reported in our last Newsletter, petroleum exports to the hard currency world rose by 1/3 in the first quarter of 1982. The preliminary figures for the second quarter of 1982 show the same trend. The Soviets are clearly making a determined effort to increase their hard currency earnings, while at the same time cutting back on their hard currency imports.

These efforts may be counterproductive, however. The French have indicated that they might stop purchasing Soviet petroleum unless the Soviets resume purchases of French equipment. The French have now developed an unfavorable trade balance with the Soviets of over 400 million rubles for the first half of the year. Last year there was only 100 million ruble difference.

/FLASH/

The Arden House Program is beginning to assume its final form. The feature speaker

Friday night, February 25th, will be Zbigniew Brzezinski, the former National Security Council Chairman, and Advisor to President Carter. In addition, Senator Clayborne Pell, the senior Democrat on the Senate Foreign Relations Committee, and Barber Conable, a senior Republican in the House of Representatives, will speak on Saturday evening. We hope to send you within the next couple of weeks a preliminary program of those who have accepted. We are still waiting to hear from others. Overall, the program promises to be one of the most interesting we have had, particularly now that a new leadership has taken over in the Soviet Union.

LETTERS TO THE EDITOR

Dear Marshall,

Your scripts would never have gone on the air at RFE/RL!

Increasing livestock inventories when you are 30-40 percent short of feed norms is not "an important accomplishment." It is irrational and uneconomic. Underweight cattle = low productivity. The insistence on increasing inventories stems from a rule introduced under Brezhnev and which may soon be dropped, i.e., that premia are paid only when the livestock inventories record an increase.

"Agricultural output in 1981 was barely 5 percent above what it had been in 1964" ?!! The TsSU, CIA and USDA will unite to pour scorn upon you. How on earth did you arrive at that?

$20 billion is an ancient figure. Wharton's estimate of $8 billion sounds better.

Keith Bush
Radio Free Europe/Radio Liberty

Keith Bush in his Letter to the Editor makes an interesting observation about why livestock inventories are as high as they are. However, he also believes that the agricultural situation in 1982 is significantly improved over 1981. If he were to look at grain production, which is what the editor's article was referring to, he would see that the grain harvest in 1981 was barely 5% higher than what it had been in 1964. It is true that the Soviets report a significant increase in valovaia production in rubles in what are said to be 1973 prices. However, that increase is due primarily to an almost 80% increase in cotton production (not very good for the digestion) but more appropriately, 70% increase in meat production, a 40% increase in milk production, a vegetable production increase of 30%, and a 2 1/2 fold increase in egg production (all of which are reportedly very difficult to find in Soviet stores). Offsetting that is a 25% drop in the sugar beet harvest; a 25% drop in the sunflower seed harvest; and a 25% drop in the potato harvest. Thus there is some reason to question the validity of the valovaia production figures in rubles, particularly given so many reports of a food shortage inside the Soviet Union. More importantly, however, is the fact that the grain figures are as they were reported in my article, and therefore the CIA, the USDA, and TsSu may pour scorn on such reports, but the proof is in the "not eating."

Finally, Mr. Bush raises some questions about the size of the reported Soviet debt. He quotes Wharton Econometric's figure of 8 billion. A closer examination of Wharton's figures, however, indicates that they rely more on trade with the developing world and Eastern Europe than they should. Their rationalization is that more and more of East European trade is transacted in hard currency. They also include Finland, which deals with the USSR on a soft currency basis. Both of these calculations are a mistake. It is true that more and more trade in Eastern Europe is conducted in hard currency, but the total proportion is still very small. Moreover, it is very risky to include trade with the developing world as such. The report of that debt as $20 billion comes from a United Nations Economic Commission for Europe Report released in March 1982. That reflected a 44% increase in

the debt from the preceding year. Moreover, a look at the trade figures for the OECD countries (minus Finland, plus Argentina and Brazil) shows that the trade deficit for the first half of 1982 was 2 billion rubles. That suggests that it has increased above the levels that had been attained in 1981.

As always, we welcome Letters to the Editor. At least we know that Keith Bush in one of our readers.

CURRENCY FIGURES

	Nov. 81	Oct. 82	Nov. 82
Austrian shilling	4.52	4.19	4.12
U.K. pound	132.20	126.50	123.23
W. German mark	31.85	29.48	28.87
U.S. dollar	70.50	73.70	74.80
French franc	12.59	10.42	10.24
Swiss franc	39.70	34.55	33.59
Japanese yen	.308	.277	.279
Italian lira	.059	.051	.052

The production figures for November 1982 as released by Gosbank show that only three currencies here rose in value from the previous month. The U.S. dollar, Japanese yen, and Italian lira all made a slight gain during the month. All other currencies reported here decreased in value.

The Russian Research Center takes no official stand on any economic or political matter. The views and analyses expressed in this Newsletter are those of the authors directly associated with the article in question, or unless otherwise stated, with those of the editor, Marshall I. Goldman.

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1/14/83 U2030-1 A

HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

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Production Figures for the First 11 Months of 1982

Product	Nov. 82	Jan.-Nov.'82	% Jan.-Nov. 1982 over Jan.-Nov.'81
Electricity (bil.kw.hrs)	121.0	1234.0	103.0
Petroleum (including gas cond.)(mil. tons)	51.0	560.0	100.5
Natural Gas (bil.cu.m.)	43.3	455.0	108.0
Coal (mil.tns)	58.1	655.0	102.0
Steel (mil.tns)	11.9	135.0	99.1
Fertilizer (mil.tns)	2.2	24.5	102.0
Metal-Cutting Tools (mil. rubles)	163.0	1890.0	105.0
Computer Tech. (bil.rubles)	.3	2.6	110.0
Watches (mils.)	5.4	63.6	102.0
Radios (mils.)	.8	8.1	102.0
Television sets (mils.)	.7	7.6	102.0
Color TVs (mils.)	.3	2.8	115.0
Paper (mil.tns.)	.4	5.0	100.5
Cement (mil.tns)	10.5	113.0	97.0
Meat (mil.tns)	.8	7.7	98.0
Margarine (mil. tons)	.1	1.3	105.0
Automotive Vehicles (mils.)	.2	2.0	99.0
Tractors(1000s)	46.0	507.0	99.6

It looks like Brezhnev's death may have been good for the economy. Although one would have thought that the time taken off from production for the funeral would have had a negative impact on production, it seems to have been the opposite. Production for the month of November 1982 compared to 1981 seems generally to have been better for most of the indices the Soviet Union considers to be so important.

Petroleum production, for example, increased by 2% in November 1982 over November 1981. For the year as a whole, production is up .5%. That compares with an increase of .2% for September to September, and .4% for October to October. Even more striking, coal production for the month is up 4% for the corresponding month of 1981. For the 11 months as a whole, coal production is up 2%. In October 1982 compared to October 1981, production had dropped again.

Equally impressive, it looks like the continuing deterioration in steel production has been brought to a halt. November 1982 production is the same as November 1981 production. Finally, meat production in November seems to have jumped a bit over the preceding November, although for the year as a whole, production is still down 2%.

The Soviets do seem to be having some difficulty maintaining their cattle herds. It looks like the cattle herd, or at least a portion of it, did not increase in November 1982, compared to the preceding year. Similarly the stock of goats and sheep is down. In contrast, however, the pig herd seemed to have increased by over 2%, a very substantial jump.

ARDEN HOUSE PROGRAM PREPARED

The first draft of the confirmed Arden House program should be arriving soon, if it has not already reached you. In any case, an extra enrollment form is enclosed with this Newsletter (if you have not received the program, please call us and we will send you one).

Even though they did not have the program, several past attendees have already sent in their registration for fear that we will run out of space. Now the the program has been formally prepared, we urge you to send in your registration form as soon as possible. We don't want to have to disappoint our regular readers since the invitation also goes out to others who have not previously attended the conference.

CORPORATE SPONSOR SEMINAR

Our second Corporate Sponsor Program for the year will meet in Cambridge on February 7th. The topic will be Eastern Europe. It promises to be an interesting session. It will be the first time we have had a chance to look at Eastern Europe since Andropov has taken over in the Soviet Union.

CURRENCY FIGURES

Rubles Purchased Per 100:	Dec. 1981	Nov. 1982	Dec. 1082
Austrian shilling	4.48	4.12	4.21
U.K. pound	135.70	123.23	117.20
W. German mark	31.51	28.87	29.70
U.S. dollar	69.90	74.80	72.30
French franc	12.46	10.24	10.47
Swiss franc	39.37	33.59	34.87
Japanese yen	.324	.279	.297
Italian lira	.058	.052	.051

The currency exchange rates released by Gosbank for December 1982 show that most currencies reported here rose in value from the preceding month. The exceptions to this were the English pound, which dropped roughly 5 points, and the American dollar, which dropped for the first time in several months.

BALANCE OF TRADE FOR THE FIRST 9 MONTHS OF 1982

A look at the enclosed table indicates that the Russians have continued the trend that we discussed earlier in 1982. Just as they did in the second quarter of the year, the Soviets have continued the increase in exports. They have continued to maintain an export level of 2 billion rubles above what it was in a comparable period of 1981. Similarly, they have also held down their imports. It is particularly impressive to see that they have built up a trade surplus with Western Europe and Japan of over 3 billion rubles, 2 billion more than during the first three quarters of 1981. Even more impressive, they have apparently been cutting back on their imports of food. Thus while their imports from the United States, which consist primarily of food, rose by 800 million rubles, their imports from Argentina, which are almost exclusively food, fell by 900 million rubles. There was also a drop in Brazil which offset the slight increase in exports from Canada and New Zealand. The overall result is that whereas for the first three quarters of 1981, the Soviets had a trade deficit with the hard currency countries of about 4 billion rubles, that has now been reduced to 1.3 billion. That is clearly the result of belt tightening. It remains to be seen, however, whether or not the increase in food that appeared after Brezhnev's death will come at the expense of increased food imports. If it does, that should bring about an increase of grain imports and less of an offset by even further cutbacks in imports from Western Europe by an increase in the trade deficit.

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BALANCE OF TRADE - 1ST NINE MONTHS OF
1980, 1981, & 1982
(Million Rubles)

	Exports from the USSR			Imports to the USSR		
	1980	1981	1982	1980	1981	1982
Austria	433	632	493	261	362	387
Belgium	612	350	774	263	342	421
Great Britain	560	515	622	727	785	531
Greece	292	448	441	66	82	100
Denmark	187	168	268	53	194	53
Spain	175	216	106	109	347	127
Italy	1467	1761	2209	648	757	874
Netherlands	888	662	1175	274	385	282
Norway	37	44	59	54	73	56
Germany	1839	2501	2982	2264	2099	2201
France	1577	1749	1664	1236	1289	958
Switzerland	297	183	326	301	390	311
Sweden	256	182	289	242	281	283
Japan	715	589	556	1265	1593	2129
Subtotal	9335	10,000	11,964	7763	8979	8713
Sub-Balance of Trade				+1572	+1021	+3251
Argentina	27	28	25	891	2069	1133
U.S.A.	99	105	112	882	1058	1811
Canada	21	41	17	614	892	945
Australia	4	10	12	589	461	438
New Zealand	2	5	5	148	146	178
Brazil	16	9	122	169	523	356
Total	9504	10,198	12,257	11,056	14,128	13,574
Balance of Trade				-1552	-3930	-1317

2/15/83 U2030-1(a) A

HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

Vol. VII, No. 6

February 4, 1983

PRODUCTION FIGURES FOR THE 12 MONTHS OF 1982

Product	Jan.-Dec. '82	% 1982 over 1981
Electricity (bil. kw. hours)	1366.0	103.0
Petroleum (including gas condens.) (mil. tons)	613.0	100.6
Natural Gas (bil. cu. meters)	501.0	108.0
Coal (mil. tons)	718.0	102.0
Steel (mil. tons)	147.0	99.1
Fertilizer (mil.tns)	26.7	103.0
Metal-Cutting Tools (mil. rubles)	2068.0	106.0
Computer Technology (bil. rubles)	2.9	112.0
Watches (mils.)	69.9	102.0
Radios (mils.)	8.9	102.0
Television sets (mils)	8.3	102.0
Color TVs (mils.)	3.1	115.0
Paper (mil. tons)	5.4	100.7
Cement (mil. tons)	124.0	97.0
Meat (total) (mil. tons)	15.24	100.2
Sausages (mil.tns)	3.1	100.0
Margarine (mil.tns)	1.4	105.0
Automotive Vehicles		
cars (1000s)	1307.0	99.0
buses	85.7	99.0
Trucks (1000s)	58.6	96.0
Tractors (mils.)	47.9	100.0
Power shovels (1000)	42.7	101.0
Refrigerators (mils.)	5.8	98.0
Combines (1000s)		
corn	1.6	129.0
potatoes	10.6	103.0

YEAR END PRODUCTION FIGURES FOR 1982

According to the official Soviet data, industrial production in the Soviet Union improved a bit in 1982. The most significant change was that coal production rose 2%. Thus the production of 718 million tons of coal puts coal production almost back to where it was in 1979. Readers of this Newsletter will remember that coal production has been falling steadily since 1978. Production is still below the 1978, and for that matter the 1979 level, but it did show an increase over the 704 million tons produced in 1981.

Similarly, oil production continued to increase. Production rose fractionally by .6%, but production of 613 million tons was a 4 million ton increase over 1981. At that rate of increase, the Soviets will still have difficulty meeting their 1985 Plan of 630 million tons, but some Western observers have predicted that production would have dropped long before this, and the important thing is that it continues to increase.

The situation in steel is not so happy. Production in 1982 dropped from what it had been in 1981. It was down by 2 million tons. Production in the automobile industry, timber, and the cement industry also declined.

We have also included figures for retail sales in 1982. According to these data, retail sales increased significantly. There is good reason to suspect that some of this increase, particularly with regard to food, was accomplished by increasing imports. Thus while meat and sausage production was just about the same in 1982 as it had been in 1981, retail sales of meat and meat products rose by 3%. A sales increase larger than the production increase is a consistent pattern.

The Soviets did not release any figures about grain production. They also omitted grain harvest figures in 1981. This suggests that the grain harvest in both years was quite

disappointing. Sugar beet production did increase, however, as did potato and vegetable production. Cotton production, however, fell by 3% over what it had been in 1981.

Overall the results, while not very exciting, do seem to have shown some improvement from the very bad years of 1979 and 1980.

In the months ahead, it will be interesting to see if Andropov's crackdown will have much of an effect. Of course it is often hard to distinguish cause and effect in the USSR. Yet it is worth noting that Andropov may be making some difference, at least in the energy field. While coal production had started to increase under Brezhnev, production increased by 3% in December compared to 2% for the whole year. Similarly, natural gas production rose by 12% in December 1982 over 1981, far above the 8% for the year, and petroleum production increased 2% for December compared to .6% for the year. It will be interesting to see if this trend continues into 1983.

ARDEN HOUSE CONFERENCE

The response to the Arden House Conference has been a very enthusiastic one. Despite the recession, it looks like our attendance will be as large as last year. If you have not already done so, you should send in your reservation quickly because there are not many rooms, particularly singles, left.

There have been two additions to the program. Under-Secretary of Commerce, Lionel Olmer, has been added to the last panel, and Congressman Stephen Solarz has indicated that he will also participate in the congressional panel discussion on Saturday evening.

THIRD CORPORATE SPONSOR PROGRAM

The third Corporate Sponsor Seminar of the year is entitled, "Are Soviet Military Expenditures Healthful or Hurtful to the Soviet Economy?" It is scheduled for Monday, May 23rd in Cambridge, Massachusetts.

Marshall I. Goldman, Editor

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EAST EUROPEAN TRADE WITH THE SOVIET UNION

The trade figures for the first three quarters of 1982 have been published. In the last Newsletter, we talked about trade with the hard currency world, in this issue we will talk about trade with the soft currency countries in Eastern Europe. Of course some of the trade with Eastern Europe now is paid for with hard currency, but for the most part, it is still a soft currency barter arrangement. As the figures indicate, the Soviets continue to maintain a trade surplus with Eastern Europe. For the first nine months of 1982, however, the trade surplus was reduced. This reduction came about largely because the Russians have reduced their trade surplus with Poland. They did this in part by reducing their exports somewhat to Poland in 1982 compared to 1981. More importantly, the Poles increased their exports to the Soviet Union. They rose substantially. This more than made up for the drop in Polish exports to the Soviet Union which took place in 1981 compared to 1980. This reflects the fact that the Polish economy has recovered somewhat from its difficulties in 1981 and also the extra effort the Poles have made to increase their exports.

CURRENCY FIGURES

Rubles Purchased Per 100:	Jan. 1982	Dec. 1982	Jan. 1983
Austrian shilling	4.40	4.21	4.28
U.K. pound	134.00	117.20	115.70
W. German mark	30.85	29.70	30.08
U.S. dollar	71.00	72.30	71.05
French franc	12.14	10.47	10.61
Swiss franc	38.34	34.87	35.79
Japanese yen	.315	.297	.306
Italian lira	.057	.051	.052

The exchange rate figures published by Gosbank for January 1983 show that most currencies reported here increased in value during the month; only the English pound and U.S. dollar suffered a slight devaluation from December 1982.

SOVIET BALANCE OF TRADE WITH EASTERN EUROPE

	Exports from USSR				Imports to USSR			
	1979	1980	1981	1982	1979	1980	1981	1982
Bulgaria	2505	2692	3225	3546	2335	2622	2751	3245
Czech.	2475	2701	3108	3728	2230	2617	3060	3513
GDR	3152	3559	4037	4587	2901	3195	3861	4270
Hungary	2035	2161	2445	2711	1776	2035	2413	2700
Poland	2793	3211	3667	3581	2653	2757	2419	2882
Romania	785	961	1111	1013	788	1065	1237	1303
	13745	15285	17593	19166	12683	14291	15741	17913
Balance of Trade Overall								
	+1062	+994	+1855	+1253				
USSR-Poland								
	+140	+454	+1248	+699				

3/14/83 U2030-1 A

HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

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INCREASE IN SALE OF GOODS AT STATE AND COOPERATIVE STORES, 1982 over 1981

Product	% Increase
Bread Products	100
Meat and Meat Products	103
Fish and Fish Products	104
Butter	99
Vegetable Oil	107
Margarine Products	105
Whole Milk Products	103
Cheese	103
Eggs	103
Sugar	102
Candy	102
Tea	109
Potatoes	110
Vegetables	104
Fruits & Citrus Fruits	112
Clothing	100
Leather Shoes	101
Furniture	102
Refrigerators	95
Watches	103
Cameras	98
Motorcycles	99
TVs	106
Color TVs	118
Automobiles	100

INDUSTRIAL PRODUCTION FOR JANUARY 1983

There is no doubt about it. Andropov has fired up the work force, or at least fired up the statisticians in the Central Statistics Administration. While production in January 1982 was quite dismal, production in January 1983 was apparently one of the most successful it has been in years. Of course, measuring production increases against a very bad month as was January 1982 does make a normal month look good. Nonetheless, production increases continue to reflect the trends we first mentioned in last month's Newsletter which began in December 1982. But the increase in production is striking. For the first time since the mid-1970s, steel production for January 1983 is up 5%. Remember that steel production had been dropping steadily since 1979. Similarly, petroleum production is up 2%. Coal production, however, is only up .02%, which given the fact that it was down 3% in January 1982 over January 1981, suggests that coal production is still having some problems.

Other notable production increases occurred in the automobile industry where production rose 4%. Considering that production was dropping steadily in 1982, this is a substantial increase. Equally impressive was the 8% increase in the production of cement, and the 10% increase in the production of paper. Again, both of these industries had been in serious trouble.

Finally, meat production is up by 5%. That compares with an 8% drop in the preceding year.

There is no doubt that the very dismal performance of January 1982 makes January 1983 look good. The fact remains, however, that it has been some time since there were double digit increases in the production of so many goods. Andropov has to take the credit for the change. It will be interesting to see how much longer the trend continues.

Industrial Production for January 1983

Product	% Jan. 1982 over Jan. '81	% Jan. 1983 over Jan. '82	January 1983
Electricity (bil. kw. hrs)	103.0	103.0	132.0
Petroleum (including gas condens.) (mil. tons)	99.8	102.0	52.7
Natural Gas (bil. cu. mtrs)	106.0	108.0	46.2
Coal (mil. tons)	97.0	100.2	61.8
Steel (mil. tons)	95.0	105.0	13.0
Fertilizer (mil. tons)	96.0	112.0	2.5
Metal-Cutting Tools (mil. rubles)	101.0	108.0	173.0
Computer Technology (mil. rubles)	79.0	104.0	228.0
Watches (mils.)	98.0	107.0	5.9
Radios (1000s)	95.0	115.0	745.0
Television Sets (1000s)	100.0	108.0	673.0
Paper (1000 tons)	94.0	110.0	481.0
Cement (mil. tons)	92.0	108.0	10.6
Meat (1000 tons)	92.0	105.0	803.0
Margarine (1000 tons)	98.0	111.0	130.0
Motor Vehicles (1000s)			
cars	92.0	104.0	183.0
trucks	98.0	105.0	5.2
Tractors (1000s)	98.0	104.0	48.4

Corrections

For those who keep a record, please correct your February 1983 Newsletter. Truck production in December 1982 was 780,000. That represents a drop in production of .9% from 1981. In addition, the tractor figure of 47.9 million represents tractor production measured in horsepower.

We also left off the table of retail sales for 1982. It is now included in this Newsletter.

Third Corporate Sponsor Conference

As the enclosed program indicates, the third Corporate Sponsor Conference of the academic year will be held May 23rd. It represents a departure from the usual things we have considered, but clearly the impact of the military sector on the economy is something that is at the root of much of the Soviet Union's economic problems. It should be one of our more interesting conferences.

Notes from the November 8th Corporate Sponsor Seminar

The Russian Research Center held its first Corporate Sponsor Seminar of the academic year on November 8th at the Harvard Faculty Club. The theme was "Energy in the Soviet Union: A Fourth Look." Speakers at the morning session on "Geology, Coal, Nuclear Power, & Petroleum" were James W. Clarke, U.S. Geological Survey; Lloyd N. Corning, Energy Branch, Defense Intelligence Agency; Milton Shaw, Energy Consultant; and Marshall I. Goldman, Professor of Economics, Wellesley College, and Associate Director of the Russian Research Center.

Dr. Clarke identified how and where oil and gas occur in the USSR, and described the geology of various currently and potentially productive basins. The productive potential is so great, he concluded, that should the Soviet Union become an importer of energy, it will be by policy decision. This view also was implicit in Mr. Corning's overview of the Soviet energy outlook. Their energy reserves are enormous. Production is rising slowly, despite deficits in certain areas of nuclear technology and electrical transmission systems. Overall, however, Corning advised, the energy sector of the Soviet command economy must be viewed as a well-planned, integrated network designed to secure self-sufficiency. In projecting Soviet earnings from oil and gas (rising from $17.5 billion in 1980 to an estimated $19-22.7 billion in 1985), Corning warned that in view of the difficulties in making such projections, revisions will most likely become necessary.

Mr. Shaw treated the Soviets' civilian nculear power program, noting their clear commitment to that program. The Ten-Year Plan of 1979 places a significant priority on nuclear power (the goal is 147,000 MW by 1990). Shaw judged that despite some engineering, containment, and quality assurance problems, the Soviets have scaled and planned their nuclear power program well in terms of demands on their skilled people and of lessening the burden of the bulk transport of conventional fuels.

Mr. Goldman expressed relief that the CIA's 1977 estimate that the Soviets would be net importers of energy by 1985 will not come true. Otherwise, there would be serious international repercussions, including increased temptation for the Soviets to seize Middle Eastern sources. Now, we have the matter of an excess of natural gas, accompanied by fears of the "Finlandization" of Europe. The Soviets are not doing at all badly in energy, Goldman noted. They are improving their ability to obtain a growing amount of production from each increment of new energy applied. Petroleum imports are their premier earners of hard currency, and continue to be high, having increased markedly in 1982. To Goldman, the important aspect of the flawed estimate of 1977 has been its adverse influence on American for ign policy, e.g., an exaggeration of the sinister nature of Soviet intentions in the Middle East, and a view of the European gas pipeline as being more critical to the USSR than it is, leading to needless friction with our allies.

The topic for the afternoon was "The Natural Gas Pipeline." Speakers included Wilfried Czerniejewicz, Vice President, Ruhrgas; Jeremy Russell, Shell International; William Archey, Deputy Assistant Secretary, U.S. Department of Commerce; and Edward Luter, Senior Vice President, Dresser Industries, Inc.

Dr. Czerniejewicz reviewed the contractual arrangements on the pipeline and contended that the displacement of oil imports by gas should make the Federal Republic less vulnerable to the Soviets in 1990 than it is to OPEC today. He pointed to contingency plans of the Germans to manage a hypothetical disruption in supply, and expressed his view that a second gas pipeline is unlikely. Mr. Russell argued, however, that the West should "get its act together" before the Soviets launch a second "pipeline offensive" which will make commercial sense in Europe but leave the divisive ideological and moral factors dangling, to the great injury of the West. He urged some definitions on what is "acceptable behavior" on the part of the Soviets, and on who is to decide it. He pointed to a decline in leverage of the West on the USSR as that country approaches economic and technological self-sufficiency, in part as a result of Western actions and policies. In Russell's view, the supply of grain and credits serves to encourage the Soviets in their current behavior.

Mr. Archey acknowledged the friction the pipeline question has caused. Questioning the wisdom of becoming dependent on the USSR for strategic supplies, of trying to bolster sagging economies by supplying the Soviets with technology, and of subsidizing Eastern Bloc energy development through credits and guarantees, Archey urged the Western allies to reassess their trade relations with the Eastern Bloc and to reestablish common aims. Pointing to Afghanistan, Poland, human rights violations in the Soviet Union, and Eastern Europe's heavy debts to the West, he argued that politics and trade cannot be separated in dealing with the Eastern Bloc, and that the West should act to minimize the potential Soviet leverage against it.

Mr. Luter recounted the experience of Dresser (France) and "how it feels to be between a rock and a hard place" as a result of his firm's contract to supply some compressors for the pipeline, and the subsequent application of U.S. sanctions against it. Luter felt that the sanctions would damage the credibility of American firms in world trade. He asked that U.S. policy have durable objectives and be consistent.

Elin Schilling

CURRENCY FIGURES

Rubles Purchased Per 100:	Feb. 1982	Jan. 1983	Feb. 1983
Austrian shilling	4.33	4.28	4.27
U.K. pound	131.66	115.70	110.21
W. German mark	30.32	30.08	29.83
U.S. dollar	71.90	71.05	71.75
French franc	11.89	10.61	10.54
Swiss franc	38.23	35.79	35.88
Japanese yen	.304	.306	.306
Italian lira	.056	.052	.051

The currency figures released by Gosbank for February 1983 indicate that with the exception of the American dollar and Swiss franc, all other currencies reported here decreased in value from January 1983. The Swiss franc and U.S. dollar showed a slight increase from the preceding month.

Andropov jolts stodgy old Moscow

By Marshall I. Goldman
Special to The Globe

COMMENTARY

MOSCOW – This city is in a state of frenzy. Of course, frenzy is a relative condition. But given its usually stodgy and heavy atmosphere, Moscow has been jolted by the suddenness and strength of the new leadership shown by Yuri Andropov. In my first visit to Moscow since Leonid Brezhnev's death, I found the city abuzz with rumor and speculation about the changes Andropov has adopted and planned.

Instead of a period of calm and the consolidation of power that many had expected, Andropov appears bent on purging a surprisingly large number of government and economic officials. The manager of the most elegant food store here was fired, allegedly for diverting food stocks to illegal channels. The Minister of Railroads was dismissed because railroad operations are so chaotic. I was told a similar fate was about to befall the Minister of Civil Aviation as well as a large number of officials (including Yuri Brezhnev, son of the dead president) in the Ministry of Foreign Trade, regarded as a particularly corrupt agency.

In addition, one insider reported that a widespread "anti-party" campaign or purge is about to take place, as Andropov moves to replace Brezhnev supporters with his own. Whether or not that's correct, there is no doubt that Andropov's actions reflect his perception that under Brezhnev, the economy as well as morale and work attitudes deteriorated rapidly. It won't be easy to remedy the damage, but if such repairs are to be made, Andropov cannot rely on the same group of long-serving and self-dealing officials who brought the economy to its present sorry state.

Corruption and 'order'

Based on what he has said and done so far, Andropov apparently feels his first priority is to restore discipline and institute "order." This involves eliminating corruption, which those both inside and outside the Soviet Union have always acknowledged to be a problem. Now, however, under the cleanup instituted by Andropov, it turns out to be more widespread than even some of the worst critics charged.

The emphasis on "order" goes beyond simple dishonesty. Over the years, work methods and attitudes had become so lackadaisical, if not disrespectful and cynical, that it made life impossible for those who wanted to do a full eight hours' work. No matter how willing a worker might have been, there was little he or she could do if the raw materials needed weren't available most of the day. Even if they are available, it is similarly demoralizing when the machinery to process them is [illegible] for all but three hours. Such malfunctioning has been a source of frustration for the vast majority of people, who regardless of their feelings about the state, want to put in a meaningful day's work for their own self-respect.

With a similar purpose in mind, Andropov has instituted a campaign against alcoholism. While always a problem, alcohol has apparently become even more a source of trouble in recent years. As workplace morale declined sharply, drink seemed to be one of the few outlets for workers. The problem had become so serious that many factories organized alcohol brigades to prevent more incapacitated employees from working. It was feared that if they went to work, they would cause such damage to the machinery that production would suffer more than if they didn't work at all. As part of the new drive, I saw two relatively harmless drunks picked up on a Leningrad street. In addition, foreign businessmen were being told by once very social Soviet trading partners that representatives from the Ministry of Foreign Affairs would not be able to attend business receptions as they once had, because "I have given up drinking."

Drunkenness isn't the only problem

To the extent Andropov succeeds in improving "order" and reducing drunkenness, he will not only improve morale, but provide a substantial increase in productivity and more efficient use of resources. But will such one-time improvements be enough to solve the Soviet Union's economic problems? Given the urgent need for more basic changes in the economic structure, it seems unlikely. And it's hard to see how effective a campaign against vodka will be. Drinking in the USSR is not only an escape from reality, but also a fundamental social custom, which among other rites, is seen as a way to display friendship and manhood. Sharing a bottle of vodka or cognac among two or three friends (even in their late teens) at a lunch or supper is viewed as required social practice. The non-drinker is the one viewed as unusual.

But it is the drive against corruption that will be viewed with the most interest. Certainly the system suffers, because corruption is so rampant. But the impact of corruption on the economy is not all negative. Because the formal planning system is so rigid, bribes and under-the-counter transactions are often the only way the process can be made more flexible. A careful analysis of corruption in the present inflexible Soviet system would probably show that, as damaging as it is, corruption is more benefit than cost.

Certainly Andropov's "let's get the country moving again" approach will bring important gains. It is unlikely, however, that this will solve the [illegible]'s basic economic difficulties.

[illegible] *teaches at Wellesley and is associate director of the Russian Research* [illegible]

SEMINARS ON SCIENTIFIC RESEARCH IN THE SOVIET UNION

For some time the Russian Research Center in conjunction with the Massachusetts Institute of Technology have been conducting a series of seminars on scientific research in the Soviet Union. For the most part, these speakers have been emigrees from the Soviet Union who work for scientific laboratories. The most recent speaker was Anatoly Fedossev, an electrical engineer who spoke on the development of Soviet radar. The next speakers will be Academicians A. A. Baev and G. K. Skriabin, who will speak on "Bio-Technology in the U.S. and U.S.S.R." on March 21st.

These seminars are normally limited in space, and are intended primarily for the staff of the Russian Research Center. However, if readers of this Newsletter have an interest in a particular seminar, they should contact either Marshall Goldman (c/o this Newsletter) or Loren Graham (617) 253-4092, to see if there will be extra space available. We hope to announce such seminars in advance in future Newsletters, and also to provide a brief summary of these seminars after they have occurred.

The Russian Research Center takes no official stand on any economic or political matter. The views and analyses expressed in this Newsletter are of the authors directly associated with the article in question or unless otherwise stated, with those of the editor, Marshall I. Goldman.

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HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

Vol. II, No. 9 April 5, 1983

INDUSTRIAL PRODUCTION FOR FEBRUARY 1983

Product	Feb. 1983	Jan.-Feb. 83	% Jan.-Feb 1983 over Jan.-Feb82
Electricity (bil.kw.hrs.)	121	253	103
Petroleum (including gas condensate; (mil. tns)	47.6	100	102
Natural Gas (bil.cu.m.)	42.1	88.2	108
Coal (mil.tns)	59.9	122	100.5
Steel(mil.tns)	11.8	24.8	104
Fertilizer (mil.tns)	2.3	4.9	111
Metal-Cutting Tools (mil. rubles)	172	345	104
Robots (units)	482	933	147
Computer Tech (mil. rubles)	232	458	109
Tractors (1000s)	46.3	9.8	101
Paper (1000 tns)	435	917	108
Cement (mil tns)	9.8	20.4	113
Meat (mil tns)	0.6	1.5	106
Margerine (1000 tons)	130	260	110
Watches (mils)	5.6	11.6	105
Radios (mils)	0.7	1.5	111
Television sets (mils)	0.7	1.4	108

INDUSTRIAL PRODUCTION FOR THE FIRST TWO MONTHS OF 1983

Industrial production continues to increase. While the improvement shown is not as great as it was during January, nonetheless overall production continues to rise at an impressive rate. In contrast to February 1982 when production of 4 or 5 of the major industries we cover was actually less than it had been in February 1981, production in February 1983 was higher in almost every instance than it had been in February 1982. Moreover the increase in production in almost all instances was an impressive one, with typical rates of 2 - 3 % increase. In the case of the paper and cement industries which have until recently been showing consistent production declines, the rate of increase was 7% for paper and 18% for cement. For further comment on the issue, see the letter from Keith Bush , reprinted in this Newsletter.

We are adding one new product to the list of goods we report on each month. The Soviets have begun to include the production of robots in their monthly reports. For 1982, the Soviet Union reportedly produced 5,400 robots. That is an increase of 61% over production in 1981. For the first two months of 1983, they produced 933 industrial robots, an increase of 47% over the first two months of 1982. They do not define exactly what is meant by a "robot".

CURRENCY FIGURES

Rubles purchased Per 1000	March 1982	Feb 1983	March 1983
1)Austrian shilling	4.33	4.27	4.30
2)U.K. Pound	130.00	110.3	108.97
3)W. German mark	30.32	29.83	30.22
4)U.S. dollar	71.90	71.75	72.25
5)French franc	11.89	10.54	10.51
6)Japanese yen	.302	.306	.304
7)Italian lira	.0564	.051	.0508
8)Swiss franc	38.23	35.88	34.97

The current Newsletter contains a brief summary of a seminar that has been led by Loren Graham. Called "Eyewitness Reports on Science", the sessions have proven to be very interesting. The next session is scheduled for Friday, April 22nd. The speaker will be John Joyce, the scientific attaché of the U.S. Embassy in Moscow. His topic will be U.S. - U.S.S.R. Science Exchanges. Space at the seminars is quite limited but if you are interested in coming you should contact Mark Kuchment or Loren Graham at the Russian Research Center. There may be room for one or two guests.

At a recent meeting of the "Soviet Science and Technology: Eyewitness Accounts" Seminar on February 28, 1983, the speaker was Professor Anatol P. Fedoseev, formerly chief designer of an institute in Moscow attached to the Ministry of the Electronics Industry. He discussed his research experiences in the area of Soviet vacuum electronics, and the military implications of this work. The discussant for Dr. Fedoseev's talk was Mr. Robert Edwards, Head of the Vacuum Tube Division of Raytheon Corp. Professor Loren Graham of MIT chaired the session. Among the fifty people who attended the seminar were members of the Harvard and MIT Faculty, research scientists from Lincoln Laboratory and the Hanscom Air Force Base.

Before emigrating to the West, Dr. Fedoseev was a designer (razrabotchik) and later became project director and chief designer of components for Soviet radar transmitters. He has received the two highest Soviet Government prizes -- a Lenin Prize and a Gold Medal signifying "Hero of Socialist Labor" Award. Professor Fedoseev described in detail the substance of work of a designer in the military R & D apparatus. He also spoke about the opportunities and difficulties which came along with his high position. His overall conclusion was that Soviet "military R & D is organized quite effectively by Soviet standards and could in principle generate a technological breakthrough".

-- Mark Kuchment/Research Associate

SUBJECT: LAST CORPORATE SEMINAR OF THE YEAR

We are going to try something a bit differen On May 23rd we'll be having a conference on the impact of Soviet military expenditures on the Soviet economy. The main focus will be on economics, but in addition we will have some specialists on Soviet military technology as well. As you can see from the enclosed program, there will be 3 professors from M.I.T., as well as a former Soviet citizen who was the chief designer of the Magnatron Tube, which formed the core of the radar system which for some period of time was the main component of the anti-ballistic missle system installed in the Moscow area. It should be an interesting session.

Who's killing OPEC? The Soviets helped

By Marshall I. Goldman
Special to The Globe

COMMENTARY

The squabbling among the members of OPEC has been a wonderful windfall for petroleum consumers around the world. Many of us had given up hope of ever again seeing gasoline priced below a dollar a gallon. Even now, it is still hard to explain why the price fell so fast and so sharply.

Most of the explanations focus on increased efforts at conservation, an unusually warm winter and a worldwide recession. Simultaneously, OPEC's high price made it possible for other producers to find and produce petroleum that otherwise might have been left in the ground. As these non-OPEC producers, such as Mexico and the United Kingdom, stepped in to fill the gap, OPEC found both its market share and total exports falling.

Whereas OPEC's share of total non-communist-world production reached a high of 65 percent in 1976, it fell to only 45 percent in 1982. Simultaneously, total OPEC production fell from a high of 31.8 million barrels a day in 1977 to 18 million in 1982. This adversely affected countries such as Nigeria, Algeria and Iran, with their large and relatively poor populations. To regain their disappearing markets, they began to offer price discounts, which in turn caused world prices to fall further.

In order to push prices back up, OPEC members have been trying to hold to an agreement on further production cutbacks and win the cooperation of non-OPEC producers, in the hope they will refrain from underpricing OPEC.

But OPEC seems to have overlooked one of the most important sources of price instability. What OPEC and most of the world have missed is that the Soviet Union has had an unusually large impact on pushing down prices. Beginning in the fourth quarter of 1981, the Soviet Union began to increase its exports of total crude and refined oil

continued on page 5

Keith Bush
Radio Liberty Research
RFE/RL
Oettingenstrasse 67
8 Munich 22, Germany

To: Marshall I. Goldman

Dear Marshall:

You say in your March newsletter that "There is no doubt about it". If you consult your "Proizvodstvennyi kalendar" (or any business diary for that matter), you will find that Jan. 1983 contained 21 working days, whereas January 1982 had only 20 working days. Thus, all other things being equal, output and productivity in January 1983 should have risen by 5 percent by virtue of the vagaries of the calendar alone. Since January 1982 was a shocking month, with vicious weather, the month-on-month rise should have been much better.

The plot thickens with the publication of the Jan-Feb results (see enclosed). Jan-Feb 82 had 40 workdays, while Jan-Feb 83 had 41, i.e., +2.5 percent. So the 5.6 percent looks better.

My recommendation: don't read too much into monthly, bi-monthly or even quarterly results.

Goldman response:
see page 4

Arnold Frutkin
Assistant to the President
Burroughs Corporation
Burroughs Place
Detroit, MI 48232

To: Marshall I. Goldman

Dear Prof. Goldman:

The figures which have been published in the RRC Newsletter over the past year for Soviet industrial production of computer technology seem on the surface to present some question.

In the Newsletter for 2-10-82, p. 2, computer production for the previous two years is shown, in billions of rubles, as follows:

Jan-Dec 1980	4.5
Jan-Dec 1981	5.0

Production for 1982 is given in the 3-4-83 Newsletter, p.2, as follows:

Jan-Dec 1982	2.9

Although this is little more than half the 1981 figure published a year previously, it is represented as 112% of the earlier production level.

The monthly figures for 1982 are consistent with the 2.9 total and yet each claimed some improvement over the same period a year earlier.

Now, the 3-4-83 Newsletter, p.2, gives a Jan. 1983 value of .228 rubles, listed as 104% of the previous January's value. But the latter was shown in the 3-15-82 Newsletter as .292, substantially higher rather than lower.

It would appear that the numbers provided to you show lower production levels each year but represent them as increases

I'd be grateful if you could explain the apparent anomaly.

Goldman response:
see page 4

March 29, 1983

Dear Keith:

I sometimes have the feeling that you are our most faithful reader. In any case, you certainly are the most careful reader that we have. In this instance however I continue to feel that "there is no doubt about it". I continue to be very much impressed by what has happened to Soviet production since Andropov took over.

If you go back to the March 15th, 1982 Newsletter, you will see that I did allow for the fact that the very sharp decline in production in January 1981/82 might have been due to the fact that there were 5 Sundays. Nonetheless, the drop in production was so sharp that it seemed to reflect more than that. Similarly the growth in production that took place in January 1982/83 reflects more than that fact that there is one more working day. As a look at the February production figures indicate, production in February alone is up uniformly as well. Admittedly the rate of growth is not as high as it was in January because of the one day difference, but nonetheless it is still an impressive increase, especially in comparison to the production increases recorded in 1982/81. To refresh your memory, production in Feb. 1982 of petroleum, steel, television sets, paper, cement, meat, motor vehicles, and trucks was lower than it was in February 1981. In virtually no instance is that the case of production of February 1983/82. In addition, as pointed out in the Feb. 4th 1983 Newsletter, production in December 1982, the first full month of Andropov's administration, showed a remarkable increase over production in December 1981. In other words, during the first 3 months of Andropov's administration, the only three months for which we have data thus far, production shows a significant jump in each month, notwithstanding the one extra production day in January 1981.

I concede readily that one quarter of a year does not make a new industrial program. That is reflected in my article reprinted from the Los Angeles Times. In particular, Andropov has done little so far to meet the very long run need for structural change. If anything, his success in the short run may make change in the long run all the more diffcult. Yet, I think it is important to recognize that there has been a change.

Sincerely,
Marshall I. Goldman

March 29, 1983

Dear Mr. Frutkin:

I have checked the original reports that we use in our newsletter. Those reports, published in Russian, on the surface seem to be consistent. Clearly however they are not. The data coverage has changed in some way which the Soviets did not otherwise indicate. There is always the risk of this happening, but it is usually a change in the description. This time it clearly was not. All I can say is that this shows the dangers inherent in using Soviet statistics. The danger is particularly great when dealing in ruble terms. It is bad enough when one is using tons or kilometers. However when it comes to using rubles the risks are enormous. The only possibility that I can think of other than a change in the definition of what constitutes computing equipment would be that there might have been a price decrease. Ultimately, even in the Soviet Union the price of computers should be reduced. That is not an entirely satisfying response but it is the best I can do. In any case, you were the first to notice the discrepancy and as far as I can tell you were the first to notice that not only among the readers of our Newsletter, but among other specialists who follow Soviet statistics.

Sincerely,
Marshall I. Goldman

the Soviet Union to the Organization for Economic Cooperation and Development countries (exclusive of Finland) fell 3 percent in 1979 and as much as 10 percent in all of 1981, by the fourth quarter of '81, they had increased about 10 percent above that quarter of '80. The biggest change, however, came in 1982, when Soviet oil exports for the first half of the year rose by an extraordinary 50 percent over the corresponding period of '81. Preliminary evidence indicates this trend continued throughout 1982 and into '83.

While the Soviet Union was not Europe's largest supplier, the quantities involved were not trivial. Exports increased at a rate of 0.5 million barrels a day during the first half of 1982. More important, this increase occurred at the same time that exports from other oil producers were cut back sharply. For example, exports from Saudi Arabia, Nigeria and Iraq to Italy in the second quarter of '82 dropped about 50 percent. In contrast, those of the Soviet Union, Mexico and Iran almost doubled. Whereas it had been a relatively small supplier in the second quarter of 1981, in the comparable period of '82, the Soviet Union was Italy's third-largest supplier. Similarly in West Germany, exports by Saudi Arabia, Libya, Nigeria and Algeria fell sharply, while those of the USSR and the United Kingdom rose substantially.

How was the Soviet Union able to increase its exports at a time when most other suppliers found it necessary to cut back? It's difficult to determine precisely what happened, but based on historical patterns and some comments heard in Moscow, the explanation seems essentially to be that Moscow bought a larger share of the market by cutting its prices sharply on spot markets.

The fact that Soviet exports of refined petroleum to the Netherlands rose by 50 percent and crude oil exports were up more than 10 times supports that argument. In ruble terms, Soviet exports to the Netherlands rose by about $750 million during the first three quarters of 1982, almost all of it a result of petroleum exports.

Once the Soviet Union's impact on falling prices becomes known, some in OPEC may accuse Moscow of intentionally trying to destroy the cartel. This is hardly the case. If anything, because the Soviet Union is the world's largest producer of petroleum – and now, with Saudi Arabia's sharply diminished exports, probably the world's largest exporter – Moscow has every reason to applaud higher, not lower, prices.

The Soviets take no pleasure in exporting large quantities of oil – they'd rather export less. How much they export is dependent on the current price of oil and how much convertible currency they need to pay for their imports. If they have a good grain harvest and therefore need to import less, and if the price of oil is high, Moscow will sharply reduce its export volume. If, as seems likely, the Soviet Union has another bad harvest in 1983, the likelihood is that Moscow will seek to build up its convertible currency reserves again. That means Moscow will probably find it necessary to continue to export large quantities of oil and push down prices even further.

If that happens, OPEC members may find that no matter what kind of deal they reach among themselves, Soviet sales of petroleum will continue to destabilize the market. Ironically, as upsetting as this may be for OPEC, it will be an important windfall for the rest of the capitalist world.

Marshall I. Goldman is professor of economics at Wellesley and author of "USSR in Crisis: The Failure of an Economic System."

Andropov Reform Risks Failure

By MARSHALL I. GOLDMAN

The Boston Globe, Monday March 21, 1983

It was a familiar photo opportunity—the nation's chief executive visits a factory to meet with its workers and management. His purpose is to demonstrate his interest in what the enterprise is doing and, more important, to generate enthusiasm for the country's economic future.

The locale could have been a digital-equipment plant in Boston, which President Reagan visited on Jan. 27. In fact, it was four days later at the Sergo Ordzhonikidze machine-tool factory in Moscow, and the visitor was Yuri V. Andropov. Coincidence or imitation, the similarity is striking.

Even though he is spared the worries of being reelected in 1984, Andropov (like Reagan) has to deal with serious economic problems—not to mention the Reagan Administration's apparent intention to exacerbate them in the service of American foreign policy. Economic growth has faltered in the Soviet Union, just as it has in recent years in the United States. In 1982, Soviet production of such items as steel, cement, cars, buses, trucks and refrigerators was less than in 1981, and production of coal, steel, paper, cement, automobiles, wheat and machine tools was less than in 1978.

While the Soviets still have no overt unemployment, the fall in production that began during the last four years of Leonid I. Brezhnev's life was unprecedented for the Soviet Union in peacetime. The expectation that Andropov would reestablish a semblance of order more rapidly than any of his competitors for Brezhnev's post may explain why he was picked for the job. Andropov has fulfilled this expectation.

He has begun to clean up his administrative house. Under Brezhnev, there was relatively little turnover in the leadership. That explains why, at the time of Brezhnev's death, the average age in the Politburo was about 70, and in the council of ministers about 65. In the three months during which Andropov has been in power, several ministers and other senior officials have been fired for dishonesty and ineptitude. In some cases—such as the ministers of railroads and the domestic trade—they were targets not only because of incompetence but also because their ministries dealt directly with the public, and thus made nice scapegoats.

It must be said that Andropov has had some initial success. An examination of the monthly production figures shows that output in December, 1982, and January, 1983, increased measurably over what had been produced 12 months earlier. In fact, in almost every instance in which production actually declined in January, 1982, compared with the January before, production in January, 1983, increased substantially.

For example, while steel production dropped 5% from January, 1981, to January, 1982, it increased 5% the following year. Radio production dropped 5% in January, 1982, but rose 15% in January of this year.

With workers and ministers running scared, this improvement may continue for at least a year or two. But is tighter

Soviet Economic System Could Face Even Greater Troubles

discipline likely to solve the structural problems of the Soviet economy? Is increasing steel production going to be enough? Ultimately, Andropov will have to do something to increase the production of consumer goods, as well as provide better-quality and technologically advanced products.

It is hard to see how this can be done with central planning. The present system, which worked so well in the past, was designed to produce *more*—not better or newer. Besides, it is not a simple matter to unearth a new breed of managers who will be able to make the necessary transition. Given the prevailing incentive system, the managers who did well were those who knew how to produce quantity and not quality.

Where will the new breed come from? It is not enough to take the "best managers," as one Soviet authority put it, and increase their power. By definition, the "best managers" are those who thrived in the planning system in which the emphasis was on numbers, weight and more of the same product—not on miniaturization, innovation and change.

If anything, Andropov's emphasis on order and discipline is reminiscent of past Soviet efforts at reform. Perhaps he is smarter than most of his predecessors, but his efforts still bear the traces of the "quick-fix" type of solution that has been the hallmark of past efforts at reform. But overall reform, not a quick fix, is needed.

A new Moscow film, "Man Where He Belongs," makes just this point. A successful industrial manager decides to return to his boyhood collective farm to see whether he can halt its decline in output. After one growing season, he succeeds; when the farm's produce is put aboard a convoy of open trucks headed down the bumpy road to town, however, a large portion of its record harvest is scattered to the winds as the trucks bounce away. In a frenzy, the manager jumps into his car and manages to halt the convoy. "Out of my way," shouts the leader of the convoy. "You did your job, but my job is to fulfill my quota of kilometers as quickly as possible. It doesn't matter whether the trucks are full or empty." The lesson of the movie is that piecemeal reform by itself is not enough.

But doing away with the entire system at once entails enormous risks. And what is to take the central planners' place? A relaxation of tight central control after all these years could lead to chaos not only in the economy but also in society at large. To stimulate the production of new goods, it will be necessary to increase prices substantially. It will be necessary simultaneously to halt the production of obsolescent goods. This is likely to bring both inflation and unemployment.

As inappropriate as it may be, Andropov's dilemma is reminiscent of an old Chinese proverb: "He who rides a tiger is afraid to dismount." As bad as the present situation may be, an overhaul of the entire system may be worse. And, now that he has had such impressive success in increasing production in the early months of his regime, Andropov is likely to be even more cautious about any experimentation and the unknown but inevitable risks that far-reaching change is sure to bring.

Marshall I. Goldman is a professor of economics at Wellesley College, the associate director of Harvard's Russian Research Center and the author of "USSR in Crisis: The Failure of an Economic System" (Norton).

The Russian Research Center takes no official stand on any economic or political matter. The views and analyses expressed in this Newsletter are of the authors directly associated with the article in question or unless otherwise stated, with those of the editor, Marshall I. Goldman.

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HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

Vol. VII, No. 9 May 5, 1983

INDUSTRIAL PRODUCTION FOR THE FIRST QUARTER OF 1983

Product	1st quarter of 1983	% of 1st quarter 1983 over 1st quarter 1982
Electricity (bil.kw.hrs.)	381.0	103.0
Petroleum (including gas condensate) (mil. tons)	153.0	102.0
Natural Gas (bil.cu.m.)	135.0	108.0
Coal (mil.tons)	186.0	100.1
Steel (mil.tns)	37.9	103.0
Fertilizer (mil. tons)	7.4	112.0
Metal-cutting tools (mil. rubles)	538.0	104.0
Robots (units)	1.7	139.0
Computer Tech. (mil. rubles)	743.0	111.0
Automobiles (1000's)	328.0	102.0
Tractors (1000's)	12.5	102.0
Paper(1000 tons)	1.4	107.0
Cement(mil. tons)	31.2	109.0
Meat (mil. tons)	2.2	107.0
Margarine (1000 tons)	401.0	107.0
Watches (mils)	17.7	103.0
Radios (mils)	2.3	108.0
Television sets (mils.)	2.1	105.0

Industrial Production for the first quarter 1983

Soviet production continues to improve in 1983. According to the official Soviet production figures, Soviet production continued to grow in almost every sector. Coal production for the first three months did not increase quite as rapidly as it did during the first two months, but otherwise the economy continues to respond to the discipline imposed by Andropov. Indeed, for the first time in many months the Soviets have resumed publishing monthly statistics showing automobile production. For the first three months of the year automobile production rose by 2%. The last report we had, which was for all of 1982, showed that production had dropped by 1%. Now it has increased 2%. At the same time last year, production of automobiles in the first quarter of 1982 was down by 3% from 1981.

The figures on a month-by-month basis are almost equally as impressive. Electricity production in March '83 over March '82 is up 4% compared to the 3% increase in February for comparable months. In contrast, coal production seemed to have dropped in March 83/82 whereas in February 83/82 it did show a slight increase. From the customer's point of view it is encouraging that meat and margarine rose 7%. Unfortunately sausage production only rose 2%, which suggests that the economy still has its weaknesses. Nonetheless, one cannot help but be impressed by the turn-around in production statistics so far this year.

CURRENCY FIGURES

Rubles purchased per 1000	April 1982	March 1983	April 1983
1. Austrian shilling	4.29	4.30	4.25
2. U.K. pound	128.5	108.7	112.2
3. W. German mark	30.05	30.22	29.80
4. U.S. dollar	72.55	72.25	72.50
5. French franc	11.56	10.51	9.95
6. Japanese yen	.294	.304	.305
7. Italian lira	.054	.0508	.0501
8. Swiss franc	37.00	34.97	35.48

The currency exchange rates released by Gosbank for April 1983 reveal that only the Japanese yen has increased in value since March('83). While the UK pound and Swiss franc seem to be rising back to their 1982 levels, the French franc and Italian lira continue their downward trend from 1982.

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CORPORATE SPONSOR SEMINARS FOR 1983 - 1984

We are presently planning our seminars for the academic year 1983 - 84. The first one scheduled will focus on the Soviet role in Afghanistan. The conference will be scheduled for Monday, October 17th, and will examine the impact of the Soviet invasion on Afghanistan, and on the Soviet Union. It promises to be an unusual look at the subject which heretofore has not been discussed too widely.

We would welcome suggestions for other subjects we should cover.

The Russian Research Center takes no official stand on any economic or political matter. The views and analyses expressed in this Newsletter are those of the authors directly associated with the article in question; or unless otherwise stated, with those of the editor, Marshall I. Goldman.

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A CONFERENCE JUST FOR JOURNALISTS

The Russian Research Center will hold its second conference just for journalists. Last year our conference was held just three and a half weeks before Leonid Brezhnev died. While we can't promise such good timing this year, the conference nonetheless promises to be equally interesting. Sponsored jointly with the Nieman Foundation at Harvard, we again plan to present a general orientation for those who are interested in further background on the Soviet economy. There will be sessions on the internal political system, foreign policy, arms control, social conditions and the economy. The featured speakers of the day will be correspondents who have worked in the Soviet Union. Craig Whitney, former correspondent and now Foreign Editor of The New York Times, and Marvin Kalb, former correspondent and NBC Diplomatic Correspondent, have both agreed to make presentations for us in the evening. The conference will be restricted only to journalists and is intended to help those who cover the Soviet Union within the Soviet Union, as well as from abroad. In addition, it should be of use for editors responsible for evaluating and assigning work of their correspondents.

LAST CALL FOR CONFERENCE ON THE IMPACT OF SOVIET MILITARY EXPENDITURES ON THE SOVIET ECONOMY

Enclosed is the program and application form for our final conference of the academic year. We will look at the impact of Soviet military expenditures on the Soviet economy.

Much of the present debate about arms control centers on the cost of the Soviet military buildup on the economy. At the conference on May 23rd, we hope to examine not only how much of the budget the military sector absorbs but what if any spinoffs there may be from the military sector into the civilian sector. In addition we will also look at the manpower burden.

Joining us for the conference will be 3 scientists. One is a former Soviet resident who was intimately involved in designing the antiballistic missile system that was installed around Moscow and Leningrad. Additionally, we will have two other scientists from MIT who have followed Soviet metal and electronic development.

Soviet Balance of Trade for 1982

The Soviets have just released their export and import figures for 1982. As the accompanying table shows, the Soviets seem to have reduced their hard currency trade deficit significantly. Whereas in 1981 it amounted to 3.3 billion rubles, by 1982 it had been reduced in half to 1.2 billion rubles. This figure does not include gold or arms shipments. As we have indicated in earlier Newsletters, this improvement was brought about largely by significantly increased shipments of petroleum.

The Soviets increased their hard currency shipments of petroleum by approximately 50% in 1982. Since the price of petroleum fell in 1982, that meant that the volume had to be increased significantly. All of this is reflected in the fact that exports in 1982 rose by 1.4 billion rubles to Western Europe and Japan. Most of that increase is the result of increased petroleum exports, as well as increased shipments of natural gas. Among the countries which received the greatest increase in Soviet exports were Belgium and Netherlands; both countries are very active in importing and re-exporting Soviet petroleum. Thus, Soviet exports to the Netherlands increased by 50% and 40% to Belgium.

Equally impressive is the way the Soviets curbed their imports. In 1982, their imports from Western Europe and Japan were up by only 250 million rubles. In large part this came at the expense of countries like France, whose exports fell by 400 million rubles, and Great Britian and the Netherlands whose exports fell by 100 million rubles. The gainers were Japan, which increased its exports to the Soviet Union by 600 million rubles and West Germany, whose exports rose 200 million rubles. Even more impressive is the fact that when the grain exporting countries are added to the Soviet import column it turns out that the Soviets actually reduced their total imports by 500 million rubles in 1982 compared to 1981. In this instance the largest drop was experienced by Argentina. Its exports to the Soviet Union in 1982 fell by 1.1 billion rubles. In contrast American exports rose by 400 million rubles. The intriguing question is, who is supplying the Soviet Union with grain if the Soviet Union has cut back its imports from Argentina so sharply?

table: page 4

Letter to Marshall Goldman:

Your exchange with Arnold Frutkin of Burroughs Corporation regarding production of Soviet computer technology in ruble value whetted my curiousity and I did a bit of sleuthing.

Two questions were raised: 1) the obvious change in the data base from 1981 to 1982; 2) the apparent discrepancy in monthly output value between the early months of 1982 and the corresponding period of 1983.

The first issue is easy to explain. It represents a change in prices, as you yourself surmised. A similar change occurred in 1975, and statistical yearbooks of the Soviet Union carry two sets of production figures for machinery products and rubles for that year. For computer technology, 1975 production was 2,935 million rubles in July 1967 prices (used as the pre-1975 base), and 1,921 million in January 1975 prices (the new base). By 1981, output had risen to 4,986 million rubles on that new price base. A new price reform in 1981 changed the data base again, and the baseline output figure for 1981 is about 2,600 million (we will have to wait for the 1982 statistical yearbook for the precise figure).

On the second issue, it appears that the published computer output figures for Jan. 1982 (292 million rubles) and February 1982 (286 million) were simply a Soviet error, possibly resulting from the revaluation of computers on the new 1981 price base. The error was obviously corrected by the time the results of the entire first quarter of 1982 were published: a rounded 700 million. On the basis of the published figures for January and February 1983 and the percentage increases, as well as the 1st quarter 1983 results, we can now backtrack and calculate that production in January 1982 was 219 million, in February 201 million, and since production in the 1st quarter of 1982 was 669 million rubles, production in March 1982 was 249 million rubles.

Sincerely,

Theodore Shabad
Editor, Soviet Geography

Balance of Trade, 1977, 1978, 1979, 1980, 1981, 1982
Millions of Rubles

	EXPORTS FROM USSR						IMPORTS TO USSR					
	1977	1978	1979	1980	1981	1982	1977	1978	1979	1980	1981	1982
Austria	352	371	442	580	854	675	263	272	368	396	507	535
Belgium	353	408	533	842	747	1032	220	257	286	383	450	573
Great Britain	958	836	1094	859	645	813	375	662	811	953	858	752
Greece	237	189	180	409	538	533	78	70	65	92	100	122
Denmark	200	193	301	261	252	300	50	46	72	80	208	64
Spain	163	113	152	251	274	159	63	93	144	152	375	166
Italy	1091	1112	1292	2111	2484	2821	790	858	863	934	1002	1222
Netherlands	399	300	903	1027	1019	1505	166	162	243	361	458	359
Norway	72	59	87	49	52	93	52	66	51	79	96	72
Portugal	79	59	88	91	146	45	37	32	35	37	37	43
Germany	1343	1498	2218	3096	3635	4065	1780	1969	2485	2989	2703	2913
France	820	840	1426	2242	2525	2228	904	974	1198	1510	1665	1268
Switzerland	153	286	314	445	331	553	222	225	276	403	497	411
Sweden	277	312	554	355	291	409	228	190	223	322	347	345
Japan	853	736	944	950	817	757	1444	1583	1661	1773	2213	2926
Subtotal	7350	7312	10528	13568	14610	15988	6675	7459	8781	10464	11516	11771
Sub-Balance Trade							+625	-147	+1747	+3104	+3094	+4217
Argentina	13	22	25	30	31	28	193	309	289	1162	2372	1265
Brazil	104	34	20	22	16	180	210	130	160	253	534	416
U.S.A	272	253	350	151	183	155	1262	1599	2487	1352	1662	2072
Canada	49	29	32	30	50	21	368	359	453	972	1377	1378
Australia	4	5	5	6	11	14	325	275	393	775	538	510
New Zealand	3	3	3	3	7	8	119	42	114	167	168	230
TOTAL:	7795	7658	10963	13810	14908	16394	9152	10173	12677	15145	18167	17642
Balance of							--1357	-2515	-1714	-1335	-3259	-1248

"SOVIET SCIENCE AND TECHNOLOGY: EYEWITNESS ACCOUNTS"

On April 22, 1983, Mr. John M. Joyce, Science Counselor in the US Embassy in Moscow, gave a talk on "US - Soviet Scientific Exchanges". Mr. Joyce's presentation was the ninth seminar in a series founded by the Ford Foundation and co-sponsored by MIT and Harvard on "Soviet Science and Technology: Eyewitness Accounts". Mr. Joyce provided a brief history of US - Soviet scientific exchanges and then attempted to evaluate the costs and benefits of the exchanges. Specifically, Mr. Joyce sought to determine if the US benefits sufficiently in terms of gaining information about Soviet science and technology, and whether the exchanges are politically useful from the standpoint of the US Government. Mr. Joyce concluded that the benefits outweigh any cost, in terms of indirect technology transfer (know-how), and that the exchanges should be supported, at the same time as the Government continues to express displeasure over human rights violations. Mr. Joyce stressed that his comments were based on his own views and not those of the U.S. Government.

Paul Josephson

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HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

Vol. VII, No. 10 June 3, 1983

INDUSTRIAL PRODUCTION FOR THE FIRST FOUR MONTHS OF 1983

Product	April 1983	Jan.-April 83	%Jan-Apr 83 over Jan-Apr 1982
Electricity (bil.kw.hrs)	114.0	495.0	103.0
Petroleum (including gas consdensate) (mil. tons)	50.9	204.0	102.0
Natural Gas (bil.cu.m.)	43.3	178	107
Coal (mil. tons)	61.1	247	100.3
Steel (mil. tons)	12.8	50.7	103
Fertilizer (mil. tons)	2.5	10.0	111
Metal-cutting tools (mil. rubles)	182	720	105
Robots (units)	0.6	2.3	161
Computer Tech (mil. rubles)	257.0	1006.0	112
Tractors (1000's)	47.9	192.0	100.7
Paper (1000 tns)	2.6	10.2	103
Cement (mil. tns)	10.6	41.8	107.0
Meat (mil. tons)	0.6	2.8	109
Margarine (1000 tons)	135.0	536.0	106.0
Watches (mils)	5.8	23.4	101
Radios (mils)	0.8	3.1	107.0
Television sets (mils.)	0.3	1.1	113

Industrial Production for the first four four months of 1983

For the fifth month in a row, Andropov can point to an increase in production compared to production in the same period a year ago.

First the good news. Oil production continues to grow. For the four months as a whole, production is up a solid 2%. Considering that in months past it had actually dropped a fraction or seldom showed a 2% rate of growth, that's impressive. The bad news, however, is that for April 1983 compared to April 1982, production rose by only 1.4% rather than the 2%. Similarly, the rate of growth of gas output seems to have dropped. For the first 3 months of 1983, production rose 8%. However, for the first 4 months of 1983, the rate of growth of production rose only 7%. More important, for April 1983 compared with April 1982, production rose by 6.4%. All things considered that is not a major drop but it does represent a decline. There seems to be a similar decline in the rate of growth of watch, cement and television set production.

Perhaps the most spectacular growth in April 1983 compared to April 1982 occured in the meat industry. Meat production for the whole four months of 1983 is up 9% over the comparable period last year. Given the fact that there has been no significant increase in grain production, and also given the fact that the livestock herds do not seem to have dropped sharply, and indeed in many instances have increased, the increased meat production is a bit of a mystery.

CURRENCY FIGURES

Rubles purchased per 100	May 1982	April 1983	May 1983
1. Austrian shilling	4.40	4.25	4.21
2. U.K. pound	129.8	112.2	113.59
3. W. German mark	30.90	29.80	29.64
4. U.S. dollar	70.70	72.50	72.30
5. French franc	11.84	9.95	9.87
6. Japanese yen	.302	.305	.312
7. Italian lira	.005	.0501	.0498
8. Swiss franc	36.50	35.48	35.66

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The currency exchange rates released by Gosbank for May 1983 reveal that only the Japanese yen, U.K. pound and the Swiss franc increased in value since April 1983. The Italian lira continues to decrease in value, while the U.S. dollar experiences minor fluctuations in value.

(CORRECTION: Last month's Newsletter mistated the currency trend in the first sentence. The sentence was intended to say: "only the Japanese yen has increased in value since April 1982")

RUSSIAN RESEARCH CENTER BEGINS $5 MILLION FUND DRIVE - - - - -

As many of our readers probably noticed, the Russian Research Center has embarked on a $5 million drive to endow a series of new and important programs. Over the years we've become increasingly worried about a decline in the number of Soviet specialists being trained. Harvard University has officially taken notice of this problem and has decided to incorporate the Russian Research Center in its overall fund raising campaign. We've included in this Newsletter a copy of the article which appeared in the New York Times about our drive and the visit here to inagurate it by Ambassador Arthur A. Hartman from Moscow.

We would welcome any suggestions and help that our readers might have as to leads and sources of funding.

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The Russian Research Center takes no official stand on any economic or political matter. The views and analyses expressed in this Newsletter are those of the authors directly associated with the article in question; or unless otherwise stated, with those of the editor, Marshall I. Goldman.

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SOVIET EYEWITNESS ACCOUNTS -- SOVIET SCIENCE AND TECHNOLOGY

The 11th meeting of the "Eyewitness Accounts: Soviet Science and Technology" took place on May 20th, 1983. The speaker was Professor Sergei Polikanov from the University of Darmschtadt (West Germany) who was a corresponding member of the Soviet Academy of Sciences and a Lenin Prize winner.

Professor Polikanov spoke on "Soviet nuclear physics: From nuclear weapons to international cooperation". Professor Polikanov described his experiences in the Soviet nuclear physics research done both in the Kurchatov Institute of Nuclear Research in Moscow and the International Institute of nuclear research in Dubna. He stated that Soviet research in nuclear physics now lags behind research done in CERN in Geneva, due to a lack of technological progress in Soviet industry, weakness of Soviet computer technology, and a bureaucratic interference in the process of international exchanges. On the other hand, the level of theoretical research still remains high. As a result, Soviet scientists are able with limited resources to solve successfully some fundamental problems in nuclear physics.

continued, page 3....

Gauging Soviets' military complex

By Marshall I. Goldman
Special to The Globe

The Soviet military sector is probably a greater source of controversy in the United States than it is in the USSR itself. For years US specialists have argued over the exact size of the Soviet budget devoted to military spending. The CIA estimates Moscow allocates from 11 to 14 percent of its gross national product to military spending. However, there are those who say that even the upper estimate is far too low, while others say the lower estimate is too high.

COMMENTARY

Now, as Yuri Andropov seems to be making new arms reduction proposals, the debate has been broadened to consider whether the Soviet economy could take advantage of a reduction in military expenditures. Certainly the Soviet civilian economy has an enormous need for more resources, including investment funds and labor. In an earlier column, it was argued that such a conversion would be difficult and disruptive. Some have challenged this interpretation. Because the issue is such an important one, it is worth reexamining the dilemmas facing Soviet planners.

Without doubt, Andropov could use more resources in the civilian economy. He seems to be devoting much more attention to increasing industrial production than Leonid Brezhnev did, and he has had some initial success. Given that there is a shortage of young workers, Andropov probably would have no trouble finding civilian jobs for any demobilized soldiers or prematurely released draftees. Similarly, he could also use more commodities and investment capital in the civilian economy without too much difficulty.

But it is one thing to argue that the civilian sector has a need for more labor, resources and capital, and another to say those resources can and will be readily or easily transferred from the military sector. Admittedly, such a transfer should be easy. The Soviet economy, after all, is "planned," with a powerful central planning agency called Gosplan. Moreover, there are no private industrial interests or a private military-industrial complex to hurt and which might thus oppose such a transition. So why should there be any difficulty?

It turns out that private industrialists are not the only ones with vested interests; Soviet industrial ministers and enterprise managers, though they are state employees, also have formidable ones. Similarly, the Soviet Defense Ministry and Soviet generals and admirals have their concerns. You don't have to be a capitalist to have a military-industrial complex. In fact, the Soviet version has been institutionalized as something called the National Defense Commission, a small body consisting of the highest-ranking members of the Politburo, Council of Ministers and Defense Ministry.

The National Defense Commission has first call on all resources and manpower, and efforts to limit its access are not warmly greeted. Nikita Khrushchev tried to demobilize some troops and curb military expenditures in 1960 but met with fierce resistance. Shortly thereafter, the military establishment withdrew its support for him, and he was removed from office in 1964.

It is hard to appreciate how much of a state within a state the Soviet defense establishment is. At an official meeting of US and Soviet arms control specialists, a senior Soviet general had an unusual reaction when a US delegate began to discuss the size of Soviet missile forces. He pulled the American aside and pleaded, "Please do not discuss data about the size of our forces. The civilian members of our Soviet delegation are not supposed to have access to this information."

Moreover, it turns out that as powerful as Gosplan may be, its powers tend to be restricted to dividing resources among existing priorities.

Soviet planners have found that it is much easier to bring in foreign technology and credits when they seek to develop new initiatives rather than to redirect existing efforts. Restructuring means uncertainty and at least temporary unemployment. But the Soviets have no mechanism for coping with this, since by definition there is not unemployment in a communist society, and therefore there is no unemployment compensation. Thus, under the best of circumstances, factories are rarely shut down. Given what happened to Khrushchev, no one since then has attempted to reduce the resources of the heavy industrial sector in any meaningful way. That is why the Soviets produce 50 percent more steel than any other country. Clearly, anyone who seeks to curb or reorient the direction of the Soviet military complex engenders significant political and economic risks.

This implies the civilianization of the economy, if it ever comes, will more likely do so with resources and technology from the outside. This does not make it impossible – but it would be very costly, and therefore less attractive and more difficult.

Marshall I. Goldman is professor of economics at Wellesley College and author of "USSR in Crisis: The Failure of an Economic System."

"Eyewitness", cont'...

The seminar was chaired by Dr. Mark Kuchment. The discussant was Prof. Victor Weisskopf of MIT, one of the founders of CERN. In addition to the regular participants, the seminar was attended by Dr. Gerald Vilhelung from Los Alamos and Dr. Gerald Daniels from Lincoln Laboratories.

Mark Kuchment

Harvard's Russian Study Unit Starts a $5 Million Campaign

Special to The New York Times

CAMBRIDGE, Mass., May 16 — Harvard University announced the start today of a $5 million drive to upgrade its 35-year-old Russian Research Center, one of the nation's major institutes sponsoring teaching and research on the Soviet Union.

Arthur A. Hartman, United States Ambassador in Moscow, attended the news conference announcing the drive, and called "the tremendous gap in historical knowledge" and lack of "continuity in theory" in attitudes toward the Soviet Union "one of the serious defects in American foreign policy."

Both the Ambassador and Harvard officials said the money raised would allow the training of academic and non-academic specialists needed by government, business and news organizations dealing with the Soviet Union.

Marshall I. Goldman, associate director of the center, said almost an entire generation of scholars now between the ages of 20 and 30 had been lost to the study of the Soviet Union because détente and a move away from area studies to specific disciplines had reduced interest and financial support for the study of the Soviet Union.

Future Plans Are Outlined

He said the center hoped to attract economists and sociologists for a year or more of intensive study of Russian language and history and then let them turn their talents toward analyses of the Soviet Union.

Harvard officials also plan to use the money, which will double the center's annual budget of $140,000, to endow at least one professorship, increase research support to junior faculty and graduate students, and conduct seminars and semesterlong training programs in Soviet affairs for mid-career Government officials, businessmen and journalists.

Ambassador Hartman said the total institutional and Government financing available for the study of Soviet and Eastern European affairs had declined by 70 percent since 1965, and he criticized what he termed a "faddist" approach to studying a country that "will be our rival for the indefinite future."

He contrasted this with what he described as the Soviet Union's long-term commitment to study the United States, and said that only by increased study of the Soviet Union could the American public and policy makers draw informed conclusions on such issues as the extent of the Soviet Union's economic crisis and its desire to pursue arms control negotiations.

Harvard officials said their drive was spurred in part by a grant last year by W. Averell Harriman of more than $10 million to Columbia University to expand its Russian Institute.

They said it would be in the best interest of Soviet studies if the two research centers, which each draw scholars from throughout the East Coast and have access to two of the largest university libraries in the country, remained competitive.

Harvard hopes to complete the fund-raising drive by June 1985.

Strike Halts Burials in Paris

PARIS, May 16 (Reuters) — Burials in the main cemeteries of Paris were suspended today as gravediggers and pallbearers staged a one-day strike over working conditions, city officials said. The officials said 110 of the 140 gravediggers employed by the city and 46 of the 96 pallbearers stopped work.

NEW SEMINARS SCHEDULED FOR 1983-1984

Mark your calendars for the new seminars which are now being planned for the fall of 1983. There will be a general orientation intended primarily for journalists in Cambridge at the Harvard Faculty Club, September 29th. Although intended primarily for journalists, we will allow others to attend who seek a broader orientation on the Soviet Union. The two featured speakers will be Craig Whitney, foreign editor for The New York Times, and Marvin Kalb, diplomatic correspondent for NBC News.

The second seminar of the year will focus on Afghanistan, and is scheduled for Monday, Oct. 17th. This promises to be a fascinating session because heretofore there have been very few attempts to discuss exactly what the Soviet invasion of Afghanistan has done to Afghanistan, and to the Soviet Union. Finally, we are scheduling a Corporate Sponsor seminar on November 7th, which will focus on agriculture. During the summer, we will provide you with a fuller agenda for all three meetings.

BEST AVAILABLE COPY

SOVIET TRADE WITH EASTERN EUROPE IN 1982

An analysis of the trade figures published by the Soviet Union show that the USSR cut back on its exports to Poland in 1982, while at the same time the Soviet Union substantially increased its imports from Poland. Thus, imports from Poland rose from 800 million rubles last year, while the Russians cut back on their exports to Poland by over 100 million rubles. The Soviets still exported more to Poland than they imported, so that the trade deficit was about 700 million rubles, but that is a substantial improvement compared to 1981 when the trade deficit between the two countries was about 1.7 billion rubles. It was the Soviet Union's trade with Poland more than anything else that allowed the Soviet Union to cut back its trade surplus with Eastern Europe from 3.1 billion rubles in 1981 to just about 2 billion rubles in 1982.

Other noteworthy aspects of Soviet trade with Eastern Europe include the fact that in 1982, Hungary for the first time in many years had a trade surplus (by a small amount) with the Soviet Union. The only other country with a trade surplus with the Soviet Union was Romania. Romania has had trade surpluses with the Soviet Union before. But the trade surplus in 1981 was largely a result of the fact that the Soviets cut back their exports to Romania in 1982 compared to 1981 by about 300 million rubles.

It should be noted that whereas most countries take pleasure in a trade surplus, the Soviet Union in dealing with Eastern Europe regards it as something to be avoided. The reason for that is that the countries in Eastern Europe try to balance their trade with one another so that they will not find themselves providing what amounts to credit to their trading partners. It was clear that during the worst period of Poland's economic crisis, the Soviet Union was providing credits with Poland and one of their most important goals has been to reduce those credits.

SOVIET BALANCE OF TRADE WITH EASTERN EUROPE

Million Rubles

	Exports from USSR			Imports to USSR		
	1980	1981	1982	1980	1981	1982
Bulgaria	3660	4375	4885	3439	3697	4288
Czechoslovakia	3648	4382	5048	3536	4105	4732
GDR	4873	5526	6420	4327	5155	5776
Hungary	2982	3307	3707	2757	3300	3746
Poland	4406	4931	4813	3596	3221	4097
Romania	1350	1779	1424	1441	1673	1683
	20,919	24,300	26,297	19,096	21,151	24,322
Balance of Trade				+1,823	+3,149	+1,975

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HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

Vol VII, No. 11 July 7, 1983

INDUSTRIAL PRODUCTION FIGURES FOR THE FIRST 5 MONTHS OF 1983

Product	May 1983	Jan.-May 83	%Jan - May 1983 over Jan-May 82
Electricity (bil.kw.hrs.)	109.0	604.0	103.0
Petroleum (including gas condensate) (mil. tons)	52.5	256.0	102.0
Natural gas (bil.cu.m.)	44.5	222.0	107.0
Coal (mil.tns)	57.0	304.0	100.0
Steel (mil. tns)	13.0	63.7	102.0
Fertilizer (mil. tons)	20.7	101.3	101.0
Metal-cutting Tools (mil. rubles)	181.0	903.0	105.0
Robots (units)	0.7	3.1	164.0
Computer Tech (mil. rubles)	0.3	1.3	112.0
Automobiles (1000s)	104.0	544.0	100.4
Tractors (1000s)	45.7	238.0	100.6
Paper (1000 tns)	2.8	12.9	103.0
Cement (mil. tns)	11.0	52.8	106.0
Meat (mil. tons)	0.6	3.4	109.0
Margarine (1000 tons)	131.0	667.0	105.0
Watches (mils.)	5.8	29.1	101.0
Radios (mils.)	0.7	3.8	106.0
Television sets (mils.)	0.7	3.5	103.0

INDUSTRIAL PRODUCTION FOR THE FIRST FIVE MONTHS OF 1983

It looks like some of the worker enthusiasm for increased discipline, which followed the take-over of power by Andropov, seems to be diminishing. For the five month period as a whole, production continues to show an impressive increase over production during the first five months of 1982. This is reflected in the figures in the adjoining table. However, when May 1983 is compared with May 1982, the results are not quite so impressive. It looks like the rate of growth may have slowed from what it was earlier in 1983.

For example, petroleum production is up 1% for May 1983 over May 1982, whereas for the whole five month period, it is up 1.6 or 2%, as the Soviets say. Coal production for May is down 1% compared to being exactly the same as it was for the whole five months. Steel production in May was up only 1% compared to 2% for the five months; tractor production was up .4% compared to .8% for the whole period; cement production was up 1% compared to 5.6% for the whole period and paper production was constant compared to a 9% increase for the whole 5 months.

There are some exceptions. Electricity production was up 4% for one month compared to 3% for the whole year and gas production was up 8% in May compared to 7% for the whole period. In addition, the Soviets have again started publishing automobile production figures on a month by month basis. That is probably explained by the fact that production rose .4 of a percent for the whole five month period. The

omission of the figure earlier this year and for most of last year on a month by month basis was due to the fact that automobile production was dropping.

Based on the trends so far, it looks like production for all of 1983 will be up significantly above 1982, but the growth will not be as spectacular as it might have appeared earlier. It will be interesting to see if the early momentum can be sustained for the rest of the year.

NEXT CORPORATE SPONSOR SEMINAR

The next Corporate Sponsor seminar of the Russian Research Center is scheduled for October 17th, 1983. As usual it will be held at the Harvard Faculty Club. Our theme for the first meeting will be a bit different from the kinds of issues we normally consider. We will take a look at the Soviet invasion of Afghanistan; the military situation, the implications for both Afghanistan and the Soviet Union, and the prospects for peace. Most of the program has been arranged but we are still waiting to hear from some specialists who are in Europe and Pakistan. We expect to have reports from several people who have been in Afghanistan recently. There will be more information in our next Newsletters.

SECOND JOURNALIST ORIENTATION

On September 27, 1983, the Russian Research Center will sponsor its second general orientation program for journalists. This is primarily designed to provide a quick survey of different aspects of Soviet life. It is designed primarily for journalists who will be sent to the Soviet Union or who follow Soviet affairs from the United States.

This year however we are also opening the day's session to those outside the journalist community. Recently we've had several requests to provide a more general briefing from members of the business community. We decided that, rather than organize a separate conference, it would be best to allow members of the corporate world to attend this particular conference. For those who want somewhat more extensive exposure to the Soviet Union, the Russian Research Center may sponsor a week-long conference in the summer of 1984. Our decision as to that conference will depend in part on whether or not there's enough interest. If you think you or members of your organization might be interested in attending such a program, please write Marshall I. Goldman, at 1737 Cambridge Street, Cambridge MA 02138.

MAY 23rd CORPORATE SPONSOR SEMINAR IN REVIEW : SOVIET MILITARY EXPENDITURES

The last corporate sponsor seminar of the academic year 1982 took place on May 23rd in the Harvard Faculty Club. The speakers were: Abram Bergson(RRC), Abraham Becker(RAND), Gur Ofer (RRC), Franklyn Holzman(RRC) and Marshall Goldman (RRC), which made up the morning panel of Economists discussing the Soviet military spending question. In the afternoon, Murray Fesbach of Georgetown's Center for Population Research and Barney Schwalberg (RRC) discussed the manpower issues inherent in the question of the effect of Soviet military expenditures on the civilian economy. Finally, the topic of spinoffs(as helpful or hurtful) was addressed by Stephen Meyer, Nicholas Grant and Harold Gatos of M.I.T., and the last speaker was Anatol Fedoseyev, chief designer of components for Soviet radar transmitters, and at one time a top-ranked scientist in the Ministry of Electronics Industry in the Soviet Union, before he emigrated to the West in 1971.

The day-long session provided some unique and important insights into the various ways in which the Soviet military complex is both a drain on the civilian economy's resources, yet also provides some technological spinoffs and other forms of aid to the population at large. Emphasis was placed on the difficulty of interpreting Soviet statistics, the historical and political understructure of the military complex's domination, the issue of interpretation, and most importantly, the long range implications for the Soviet Union.

JEAN MONAHAN

Andropov Started Strong. But Now?

By Marshall I. Goldman

CAMBRIDGE, Mass. — With Yuri V. Andropov running things, the Soviet Union's economy has made a small recovery. When he emerged as leader, it looked as if he would move vigorously to shape the economy. Now, increasingly, his own vigor suddenly looms as a concern.

After years of neglect under Leonid I. Brezhnev, the economy was afflicted with a disturbing drop in production, productivity and worker morale. Except for the absence of explicit unemployment, the economy bore a strong resemblance to what was happening in the capitalist world. In a whirlwind of activity, Mr. Andropov ordered a crackdown on absenteeism, corruption and alcoholism. Soviet newspapers began to publish the Politburo's agenda, so readers could see that their leaders were talking about how to cope with shortages of goods, poor housing and inadequate services. Mr. Andropov visited the Ordzhonikidzhe Machine Tool Plant, in Moscow, and warned the workers that there could be no increase in wages without increased production. He said that not only must the workers "increase their discipline" but that this "applies to everyone, starting with the [Council of] Ministers."

Insufficient change

The result? Mr. Andropov has made a difference. Whereas steel production during the first five months of 1982 had fallen by 3 percent from what it had been in 1981, this year's steel production is up 2 percent. The rate of growth of production of most goods is again positive and considerably ahead of where it was a year ago.

Mr. Andropov has also moved to strengthen the foreign trade balance. He has continued the effort begun under Mr. Brezhnev to increase hard-currency exports in order to reduce the trade deficit. Because more than one-half the hard-currency earnings come from petroleum exports, this has meant increasing the volume of petroleum exports to countries belonging to the West's Organization for Economic Cooperation and Development by almost 40 percent. Since this came when demand was very slack, Moscow could sell this much more only by undercutting prices and taking sales away from previous Organization of Petroleum Exporting Countries suppliers. The most dramatic example of this occurred in the Netherlands, where imports from Saudi Arabia, the leading source of supply, fell to less than one-fifth of what they had been a year earlier. At the same time, imports from the Soviet Union rose 50 percent so that the Soviet Union now exports almost twice as much oil to the Netherlands as does Saudi Arabia.

How was Moscow able to increase these exports, especially when, according to a 1977 Central Intelligence Agency projection, the Soviet Union should by now have become an importer? In part, some of this increase in exports came from increased production. The rest came from increased conservation at home and reduced Soviet exports to Eastern Europe. What is particularly fascinating is that about a third of these increased exports came from increased sales of petroleum to the Soviet Union by Libya, in payment for arms shipments. The effect, intentional or not, has been to push down the prices O.P.E.C., including Libya, can charge.

All of this is impressive in the short run, but has Mr. Andropov moved to solve the country's long-run structural problems? He has called for more peasant involvement when assigning work on the farm and has also advocated more worker participation in managerial decision-making in factories. He has hinted that there will be more income differentiation for skilled, conscientious workers. There is also a special interdepartmental council whose function is to study Eastern European economic reforms and their applicability to the Soviet Union. However, most of the experiments that Mr. Andropov has ordered were tried before, with little success. For that matter, the interdepartmental council study group was created in April 1981, so even it is not new.

Such changes do help; they have meant more steel production. Yet that is not enough if the Kremlin is to become more responsive to the needs of the Soviet consumer and world technology. A fundamental restructuring of the economic system must take place. But to restructure entails risks. Obsolete products must be phased out, which means unemployment, and production of new products must be stimulated, which means higher prices and inflation. To embark on such a course takes a strong leader. Recently, however, Mr. Andropov's weakened physical condition is coming more and more to resemble that of Mr. Brezhnev in his last years.

Under the circumstances, it seems less and less likely that Mr. Andropov has the physical or political strength to undertake such a far-reaching but ultimately necessary step. ■

Marshall I. Goldman, professor of economics at Wellesley College and associate director of the Russian Research Center, at Harvard University, is author of "U.S.S.R. in Crisis."

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RUSSIAN RESEARCH CENTER
1983

CURRENCY FIGURES

Rubles Purchased per 100	June 1982	May 1983	June 1983
Austrian shilling	4.28	4.21	4.11
U.K. pound	127.83	113.59	113.96
W. German mark	30.08	29.64	28.97
U.S. dollar	72.50	72.30	74.00
French franc	10.91	9.87	9.62
Japanese yen	.292	.312	.305
Italian lira	.053	.0498	.0488
Swiss franc	35.77	35.66	34.78

The currency exchange rate figures released by Gosplan show that only the U.K. pound and the U. S. dollar rose in value from the preceeding month. All currencies reported here are down in value from 1982 with the exception of the United States and Japan.

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HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

VOL. VII, No. 12 August 5, 1983

INDUSTRIAL PRODUCTION FOR THE FIRST SIX MONTHS OF 1983

Product	Jan. - June 1983	% Jan. -June 1983 of Jan.-June 1982
Electricity (bil.kw.hrs)	710.0	103.0
Petroleum (including gas condensate) (mil. tons)	307.0	101.0
Natural Gas (bil.cu.m.)	265.0	107.0
Coal (mil.tns)	363.0	99.9
Steel (mil.tns)	76.2	102.00
Fertilizer (mil. tons)	15.0	109.0
Metal-cutting tools (mil. rubles)	1095.00	104.0
Robots (units)	4.3	182.0
Computer Technology (bil.rubles)	1.5	113.0
Automobiles (1000's)	655.0	100.8
Tractors (1000's)	24.7	102.0
Paper(1000 tons)	2.8	105.0
Cement (mil.tns)	63.7	105.0
Meat (mil. tns)	4.7	109.0
Margerine (1000 tons)	797.0	105.0
Watches(mils)	35.0	100.9
Radios (mils)	4.6	105.0
Television sets (mils.)	4.2	103.0

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INDUSTRIAL PRODUCTION FIGURES FOR THE FIRST 6 MONTHS OF 1983

A look at the production results of 1983 suggests that the economy continues to grow faster than it did during the first six months of 1982. However the growth of individual industries seems to have been a bit slower in June 1983 than it was in the earlier part of the year. The difference is not as great as it seemed to be in May comparedto the first portion of the year, nonetheless there does seem to be some difficulty in at least some industries. The best example is in the petroleum industry. Production in June 1983 was the same as it was in June 1982. In contrast production for the whole six months was up 1%, which suggests that the production increase took place earlier during the year and that growth seems to have been dissipated.

We have also enclosed a table indicating retail sales for the first 6 months of 1983 (see page 2). Increases in the sale of cheese, vegetables, fruits and potatoes are particularly impressive. Vegetables and fruits were more readily available than normal in the days following Brezhnev's death. Given the very large volume of meat imports, it is surprising that meat sales are only 3% higher than they were earlier.

The Soviet statistics also indicate that the livestock herds with the exception of cows did increase significantly in the first half of 1983. Again given the shortage of grain, that seems a particularly impressive feat. The report is however that the weight of the livestock has fallen and that milk yields in particular have declined as well.

RETAIL SALES DURING THE FIRST 6 MONTHS OF 1983 AS A PERCENT OF SALES FOR THE FIRST 6 MONTHS OF 1982

Bread Products	101%
Meat & Meat Products	103%
Fish & Fish Products	101%
Cheese	112%
Eggs	104%
Potatoes	107%
Vegetables	113%
Fruits & Citrus Products	108%
Shoes	98%
Soap	96%
Cameras	87%
TV	104%
of which color	115%
Automobiles	102%

CURRENCY FIGURES

Rubles Purchased Per 100	July 1982	June 1983	July 1983
Austrian shilling	4.21	4.11	4.08
U.K. Pound	126.88	113.96	113.37
W. German mark	29.70	28.97	28.68
U.S. dollar	73.50	74.00	74.10
French franc	10.65	9.62	9.54
Japanese yen	.288	.305	.308
Italian lira	.052	.0488	.0485
Swiss franc	34.73	34.78	35.05

JOURNALIST CONFERENCE

As we mentioned in the July Newsletter, we are sponsoring a general orientation for journalists. It is more of an overview than we usually provide but there does seem to be some interest in the business community as well. Unfortunately we made an error in the application form we sent out. Since we are also providing dinner and cocktails, we have had to increase the price for registration from $100 to $150.00. The new application blank reflects that change.

FIRST CORPORATE SPONSOR CONFERENCE OF THE YEAR

The first Corporate Sponsor Seminar of the 1983-1984 academic year will focus on Afghanistan. We've enclosed the first draft of the program. It is a bit fuller than normal and consequently we will start from 9:30 in the morning instead of the usual 10:00. In addition, we have scheduled adjournment for 5:30 instead of 4:45. Many of our speakers are coming from Pakistan and several of them have recently been inside Afghanistan to observe the fighting conditions in the villages. Our sense is that this will be a most unusual gathering of specialists and it promises to be a unique presentation. This will be sponsored jointly with the Center for Middle Eastern Studies and it represents an exploration into a new area for us.

The currency exchange rates released by Gosplan for July 1983 indicate that only the U.S. dollar, the Japanese yen and the Swiss franc increased from June 1983 and over a year's time from June 1982. The biggest drops in currency exchange rates from June 1982 to June 1983 are seen in the Austrian shilling, the U.K. pound and the French franc.

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Russian Research Center 1983

NEW? ECONOMIC REFORMS PROPOSED

On July 26th the Soviet newspapers published a resolution of the Central Committee of the Communist Party and of the Council of Ministers about proposed new economic reforms. These reforms are to be introduced on January 1st in a few selected Ministries. While there may be more to come, presumably these are the reforms that Yuri Andropov has decided to make in the economy.

Many observers anticipated that the reforms would be more forthcoming. Reading the proposals as presented in the Soviet papers, they instead seem to be much less imaginative than the types considered in the mid-1960's. Those proposals,which many Americans identified with the economist Yevsei Lieberman, allowed for a change in the economic success indicators. New emphasis was given to profits, a return on capital, and interest and rent charges were introduced. In addition, some firms were actually allowed to adjust prices to reflect not only manufacturing costs but also demand pressures. They also allowed for the manager to exercise more control and to set aside additional funds for investment as well as for cultural amenities and material incentives.

The Andropov reform does stress the need for greater incentives for workers. It provides a material incentive fund as well as a salary fund. There is also some talk about more worker participation in decision making. In addition it has a social-cultural fund and a housing construction fund. There is also an investment fund, but the only thing that really seems new is the stress on exports. That is due to the fact that in the mid-1960's the Soviet Union didn't care that much about exports.

The most serious thing that seems to be missing is allowance for price changes. That may be disguised in what the Russians describe as an increase in the role of "economic norms". However the concept has been so well disguised that it may fool not only foreign observers but those who will actually be charged with implementing the reform.

What makes all of this particularly interesting is the fact that an article in the Washington Post on August 3rd indicates that some reports by Soviet economists have been prepared which call for more fundamental reform. Those reports are significantly different from what ultimately has evolved in the form of the July 26 announcement. If anything Andropov's reforms bear a strong family resemblance to what took place in the 1960's, but now such reforms seem to be too little and too late.

Marshall I. Goldman

8-4-83

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HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

VOLUME VIII, No.1 September 5, 1983

INDUSTRIAL PRODUCTION FOR THE FIRST SEVEN MONTHS OF 1983

Product	July 1983	Jan - July 83	% Jan. - July 1983 over Jan-July 1982
Electricity (bil.kw.hrs.)	106.0	816.0	103.0
Petroleum (including gas condensate) (mil. tons)	52.5	359.0	101.0
Natural gas (bil.cu.meters)	42.9	308.0	107.0
Coal (mil. tons)	58.0	421.0	99.5
Steel (mil.tons)	12.6	88.9	102.0
Fertilizer (mil. tons)	2.4	17.4	109.0
Metal-cutting tools (mil. rubles)	173.0	1268.0	104.0
Robots (units)	1.0	5.7	193.0
Computer technology (bil.rubles)	0.3	1.8	112.0
Tractors (1000's)	43.8	328.0	100.9
Paper (mil. tons)	2.6	18.1	103.0
Cement (mil.tons)	10.7	74.3	104.0
Meat (mil. tons)	0.6	4.8	109.0
Margerine (1000 tons)	49.0	846.0	98.0
Watches(mils)	5.4	40.5	100.1
Radios (mils.)	0.7	5.3	105.0
Television sets (mils.)	0.7	4.9	103.0
Automobiles (1000's)	106.0	761.0	100.3

INDUSTRIAL PRODUCTION FOR THE FIRST SEVEN MONTHS OF 1983

Now that the report is in for July, it looks like the rate of growth for 1983 continues to exceed that of 1982. However it does look like the rate is less robust than it was at the beginning of the year when it was so impressive. For example, gas production is down 1% to a 7% increase. That's still very impressive but not as large as it was earlier. Even in 1982 gas production was growing at 8%. Paper, steel and tractor production are all down from what they were earlier this year, although the rate of growth continues to be positive.

The drop in the rate of growth from the beginning of the year seems to characterize most of the heavy industrial sectors. However some of the food industries do continue to show impressive growth. For example, meat production continues to be 9% higher than it was last year at this time. Since food supplies are a major concern, that obviously is of importance to the Andropov government. Also, unlike last month when petroleum production was the same as it was the year before, it went up 1% in August 1983.

JOURNALIST CONFERENCE

As we have mentioned in the 2 previous Newsletters, we are sponsoring a general orientation for journalists. It is more of an overview than we usually provide but there does seem to be some interest in the business community as well. Unfortunately, since we are providing for both lunch and dinner (and cocktails), we have had to increase the price for registration from $100 to $150. The application blank reflects that change.

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ARDEN HOUSE CONFERENCE DATE IS CHANGED

The annual Arden House conference in Harriman, New York, has been rescheduled.

The opening date is now Friday evening, March 23rd, 1984. The conference will end at noon on Sunday, March 25th. We had originally announced that it would be in April but we have been forced to change the date. We hope that will be late enough in March to miss the snow, and will not prove too much of an inconvenience for those who would like to attend.

CURRENCY FIGURES

Rubles Purchased Per 100	Aug. 1982	July 1983	August 1983
Austrian shilling	4.18	4.08	4.09
U.K. pound	125.69	113.37	114.87
W. German mark	29.32	28.68	28.73
U.S. dollar	74.00	74.10	75.50
French franc	10.55	9.54	9.55
Swiss franc	34.37	35.05	35.27
Japanese yen	.281	.308	.311
Italian lira	.057	.0485	.0482

The currency exchange rates released by Gosplan for August 1983 reveal an increase in all currencies listed here over the last month (July - August), with the exception of the Italian lira, which remained essentially the same. The U.K. pound and the U.S. dollar have shown the biggest increase, and all currencies listed here with the exception of the dollar, yen and Swiss franc have declined over the last year.

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HARVARD

RRC NEWSLETTER

RUSSIAN RESEARCH CENTER

VOLUME VIII, No. 2 October , 1983

INDUSTRIAL PRODUCTION FIGURES FOR THE FIRST EIGHT MONTHS OF 1983

Product	August 1983	Jan.-Aug.83	% Jan.-Aug.'82 over Jan-Aug.83
Electricity (bil.kw.hrs.)	108.0	924.0	103.0
Petroleum (incl. gas condensate (mil. tons)	52.6	412.0	101.0
Natural gas (bil.cu.mtrs.)	43.6	351.0	107.0
Coal (mil.tons)	59.0	480.0	99.7
Steel (mil.tons)	12.8	102.0	103.0
Fertilizer (mil. tons)	2.4	19.9	109.0
Metal-cutting tools (mil. rubles)	185.0	1453.0	105.0
Robots(units)	0.8	6.6	205.0
Computer technology (bil. rubles)	0.3	2.1	112.0
Tractors (1000s)	47.4	376.0	102.0
Paper (mil.tns)	0.5	3.8	104.0
Cement (mil.tns)	10.8	85.2	104.0
Meat (mil. tons)	0.8	5.6	109.0
Margerine (1000 tons)	94.7	941.0	102.0
Watches (mils)	5.9	46.4	99.0
Radios (mils)	0.8	6.1	105.0
Television sets (mils.)	0.7	5.7	103.0
Automobiles (1000's)	113.0	874.0	101.0

INDUSTRIAL PRODUCTION FIGURES FOR THE FIRST EIGHT MONTHS OF 1983

Production in August 1983 continues at about the same pace as it did for the immediately preceeding months. Petroleum production continues to grow at 1% for both the month and the eight month period as a whole. Steel production for the month of August showed one of the largest improvements. August 1983 production in steel was up about 4% over the same month in 1982. For the entire 8 month period however, steel production is 3% higher. The one disappointment for the 8 month period was coal production. It was slightly lower than it had been the year before. However for the month of August coal production was up 1%. In all likelihood coal production for all of 1983 will be the same as it had been in 1982, or slightly higher.

In sum, production for the eight months as a whole continues to be better than it was last year, but the pace does seem somewhat more relaxed than it was at the beginning of the year.

NEXT CORPORATE SPONSOR SEMINAR: AFGHANISTAN

As announced earlier, the Russian Research Center will sponsor a conference on Afghanistan on October 17th at the Harvard Faculty Club in Cambridge. As a look at the enclosed program indicates, we will have specialists from Pakistan and Europe reporting on the trends both within Afghanistan and in the USSR. It is one of the more ambitious undertakings for the corporate sponsor series that we have sponsored, and we are pleased that so many

continued...

THE USSR

Economic puzzle for Andropov

Entrenched bureaucracy blocks attempted reforms

By Marshall I. Goldman
Special to The Globe

While the Korean plane incident may soon come to occupy less of Yuri Andropov's time, the nature of the incident – and the way it seemed to unfold without anyone apparently consulting the Soviet leader – suggests that the Soviet system is not subject to the dictates of one man, as Americans are sometimes led to believe.

This is further reflected in the economic sphere and, in the long run, the Soviet Union's problems may well prove more difficult for Andropov to deal with than an attack on a civilian airplane. The economy is in trouble, and Andropov has been spending an unusually large percentage of his time trying to correct some longstanding structural deficiencies. Yet there seems little likelihood that the far-reaching reforms he has called for will become reality.

For some, this is surprising. The Soviet Union generally is perceived as a tightly regimented state – orders are issued at the center in Moscow and carried out at the periphery with little opportunity for give and take, compromise or appeal.

The Supreme Soviet, what passes as the main parliamentary body, meets infrequently and serves principally as a rubber stamp. Moreover, the fact that Andropov, the former head of the KGB, is now secretary general of the Communist Party as well as chairman of the Supreme Soviet would seem to make it all the more likely that a command by him would be enough to set in motion any reasonable orders.

Big talk, little action

Andropov, however, seems to be acting more like the Wizard of Oz than Ivan the Terrible, at least when it comes to pushing through economic reforms. Like the Wizard, with all the trappings of power, he seems unable to bring about the far-reaching restructuring he and so many other observers inside and outside the Soviet Union feel are necessary.

Instead, an unprecedented drama is unfolding. Andropov calls in principle for a complete restructuring of the Soviet economy to make it more responsive, more productive and more innovative. But rather than massive surgery, he introduces a program that seems nothing more than a cosmetic touch-up job; this is dramatically followed by a "leak" in Western newspapers from a Siberian economic study group that argues strongly for the need for fundamental economic change. To say the least, leaks from the Soviet Union are not the usual order of business. The leak seemed designed to heighten the contrast between the modesty of the actual proposal and what was needed.

A few days later, Andropov pleaded for support from the entrenched bureaucracy to cooperate in efforts to improve economic performance at a specially called meeting of veterans of the Central Committee of the

ANDROPOV, Page A20

Marshall I. Goldman is professor of economics at Wellesley College, associate director of the Russian Research Center and author of "The USSR in Crisis: The Failure of an Economic System."

Andropov

Continued from Page A17

Communist Party, one of the most influential bodies in the Communist world. This, in turn, was followed by an unusual press conference called by Nikolai Baibakov, the head of Gosplan, the main planning organization in the Soviet Union, who in effect told Andropov to mind his own business.

What is going on? Leaks and press conferences that contradict the nation's leaders sound more like Washington than Moscow. Why is Andropov apparently having so much trouble? What is likely to be the outcome?

While Andropov may indeed have his way, he seems to be discovering – though it should not have been entirely unanticipated – just how difficult it is to deal with the well entrenched Soviet bureaucracy. A study of his speeches the last few months suggests he is fully aware of the resistance that would greet anyone who dares to shake up the economic order in the Soviet Union. The system has gone too long without change. The vested interests have been in place for at least 50 years.

But while the planning and economic bureaucracies have remained much as they were in the 1930s, the nature of economic life in the outside world has changed radically. It is no secret among Soviet economists and leaders that their nation has not kept up. Economic growth has fallen from 7 or 8 percent a year to 1 to 2 percent a year. There may even have been a drop in overall output in 1979 and 1980.

Moreover, the high-tech revolution is only a concept in the Soviet Union, not a reality.

Even simple innovation is a rare occurrence. Research in the laboratory and in the military sphere may be good, and often impressive, but no one seems to know how to bring it to the factory floor, where it can be transformed for civilian use. Application of research is often put into production outside the Soviet Union before it is seen inside.

Industry frozen in mold

Nor do the Soviets always properly utilize the technology they import. More and more officials are beginning to complain that the bulk of machinery imported from the capitalist world is being used less efficiently than it should be, and in many instances, it is used poorly. More than that, much of the factory equipment that has been purchased was imported with the idea that once the Soviet specialists had a chance to work with the new technology, they would duplicate and enhance it. That seldom has happened.

Soviet industry seems frozen in the mold of the past. The West talks about the need for an industrial policy – the need to nudge industry in the direction of high technology. In theory, what better mechanism could there be to implement such an "industrial policy" than a central planning agency like Gofplan? But in the Soviet Union, Gofplan acts more like a defender of the status quo than a promoter of the future.

Against this backdrop came Andropov's program of economic reforms. Introduced July 26, his plans so far have hardly been worth the characterization "reform." Only two all-union ministries would be affected: the USSR Ministry of Heavy and Transport Machine Building and the USSR Ministry of Electrical Equipment Industry. In addition, three smaller republic ministries have also been included: the Ministry of the Food Industry in the Ukraine, the Ministry of Light Industry in Belorussia and the Ministry of Local Industry in Lithuania. This is a minute fraction of Soviet industry.

Beyond that, those conducting the economic experiments in these industries and these ministries will not be given much in the way of power. True, they have been told they will have new authority to work out their own sales plans and do what is necessary to ensure that the goods sold are produced. This presumably means they will no longer have to draw up and fulfill gross output plans.

In the past, Soviet factories were evaluated almost entirely on the basis of how much they produced. No one cared how much was sold. This led to all kinds of distortions. Now, in addition to having to meet sales targets, they will also have to fulfill plans for meeting certain levels of technology, labor productivity, cost reduction and better use of capital. They will also be able to adjust wages, reduce the work force and put aside increased profits for a production development and factory expansion fund, for a material incentive fund and for a housing cultural fund.

Foot-dragging deliberate?

For the jaded follower of past attempts at economic reform in the Soviet Union, this seems too little and too late. In fact, most of this bears a strong family resemblance to the type of reform introduced in the mid-1960s by then Premier Alexei Kosygin. Many of those experiments were associated with the economist Yevfei Lieberman, although the Lieberman proposals were even more far-reaching than Andropov's. Lieberman also wanted factory managers to have the power to change prices, recognizing that they must be able to do that to make any significant improvement in product quality or introduce new products. Andropov has authorized no such power.

Given his call for far-reaching change, why did Andropov settle for what seems to be such a trivial replay of history? It may be, of course, that he is deliberately moving slowly. Under the best of circumstances, change is threatening to those in control, and he may feel it is better to do a little but to do it well to build support for more ambitious measures in the future. But given Andropov's age and feeble state of health, does he really have the time? Moreover, in light of the way the similar Kosygin and Lieberman reforms were abandoned two decades ago, one would assume Andropov would try something different, if not more adventuresome.

The reason for the meagerness of the reforms, therefore, may be that the bureaucracy is simply too resistant to change. The leaks are apparently designed to nudge it. Andropov must be commended for being so keenly aware of the restraints that face him. It is fascinating to watch him plead openly with the bureaucracy to be flexible. It is difficult to recall anything like his unprecedented kowtowing before the veterans of the Central Committee, who have the most interest in retaining the status quo.

But while bureaucratic obstinacy is probably the most tangible obstacle Andropov must overcome, he must also deal with intangibles that in the long run may prove to be even more challenging. Based on what they have done so far, it is not clear that those in the Soviet Union who recognize the need for change really understand how extensive that change must be. Both Andropov's statements and the leaked Siberian study state that the basic source of the problem is bureaucratic resistance to change. Do away with the bureaucracy, they argue, and an unfettered Gofplan and unrestrained enterprise managers will respond with an outpouring of more and better products.

Andropov and his economic allies seem unable to face up to the fact that the bureaucracy did not blossom in a vacuum. It grew because it fulfilled a purpose. Something was needed to supervise the country's factories to ensure that they behaved as Gofplan intended. There was no market system and no meaningful price system to provide guidance. Consequently, the bureaucracy was created to serve that purpose.

Thus, Andropov does not have much choice. Until he is willing to face up to the need to introduce a market type system, he will find that while he cannot live with the Soviet bureaucracy, neither can he live without it. Andropov's good intentions notwithstanding, the prospect for a successful and meaningful economic reform in Andropov's lifetime are not good.

CURRENCY FIGURES

Rubles Purchased Per 100	Sept. 1982	Aug. 1983	Sept. 1983
Austrian shilling	4.19	4.09	4.06
U.K. pound	126.50	114.87	114.87
W. German mark	29.48	28.73	28.53
U.S. dollar	73.40	75.50	76.65
French franc	10.50	9.55	9.48
Japanese yen	.284	.311	.314
Italian lira	.052	.0482	.0478
Swiss franc	34.67	35.27	35.08

The currency exchange rates released by Gosplan for September 1983 reveal that only the U.S. dollar and Japanese yen have risen over the last month and over the last year. The Austrian shilling, French franc, Swiss franc and Italian lira all show a slight decline from the previous month.

The Russian Research Center takes no official stand on any economic or political matter. The views and analyses expressed in this issue of the Newsletter are those of the authors directly associated with the article in question; or unless otherwise stated, with those of the editor, Marshall I. Goldman. © RUSSIAN RESEARCH CENTER 1983

AFGHANISTAN, cont...

people from such diverse backgrounds will be present.

ARDEN HOUSE CONFERENCE WILL BE HELD MARCH 23rd TO March 25th

As mentioned earlier, the date for the Arden House conference has been changed. It will now be held the next to the last weekend of March, from March 23-25th. Additional information will be supplied by the end of the year.

FEBRUARY CORPORATE SPONSOR SEMINAR ANNOUNCED ON AGRO-BUSINESS

The Russian Research Center will hold a one day corporate sponsor seminar on February 6th, addressing the topic of Agro-business. We will focus on the developments within agriculture in the Soviet Union and will examine to what extent agriculture may be affected by planned economic reforms. In addition we will discuss the impact of the embargo on American grain sales to the Soviet Union. We will also examine the implications of the downing of the Korean Airline plane, and the recent buildup in tensions between the US and the USSR, for future sales of agriculture commodities and equipment. The complete program will be announced in next month's Newsletter.

JOURNALIST CONFERENCE 1983

On Monday, September 26th, the Russian Research Center held its second annual Journalist conference, which attracted a record number of local and national journalists, as well as interested members of the business and academic communities. The day-long conference began with presentations by specialists from Harvard's Russian Research Center, Center for Science and International Affairs and Law School, who provided background synopses of political developments in the Soviet Union. In the afternoon sessions, other Harvard and MIT specialists, as well as a former Cultural Affairs Officer to the Soviet Union and a RAND representative, discussed the issues of social trends inside the Soviet Union and Soviet economics and technology. An interesting and valuable addition to the afternoon session was the unique perspective provided by a former Soviet citizen describing news coverage of the USSR.

The highlight of the program was the evening session, when three former Moscow correspondents offered anecdotes and advice about covering the news while in the Soviet Union, and guidelines for editing and interpreting news coming out of the Soviet Union. Craig Whitney of The New York Times (recently named Assistant Managing Editor), Fritz Pleitgen of German Television and Edmund Stevens, who has written for numerous newspapers during his career, all offered informative accounts of their Moscow assignments

and their secret stategies for cracking the wall surrounding Soviet news and journalism.

Among the attendees at the conference were reporters and editors from The Christian Science Monitor, Newsweek, Time, The Baltimore Sun, The Current Digest of the Soviet Press, Radio Free Europe/Radio Liberty, The Boston Globe and The Nation. Questions following each of the sessions centered on the perceived repercussions of Andropov's leadership problems and especially as concerns the Korean passenger plane incident.

Jean Monahan

SOVIET SCIENCE AND TECHNOLOGY SERIES ANNOUNCEMENT:

EYEWITNESS ACCOUNT SERIES FOR THE ACADEMIC YEAR

On November 1st, Professor Ilya Piatetsky-Shapiro will discuss his paper "Conducting Pure Mathematics in the Soviet Union", from 4 to 6:00 p.m., in Room 3 of Coolidge Hall (1737 Cambridge St., Cambridge). Professor Phillip Griffiths of the Department of Mathematics at Harvard will be the discussant.

The second Soviet Science and Technology presentation will be in the form of a two-day seminar entitled "Computers in the Soviet Union", to be held November 18th and 19th at the Harvard Faculty Club, 20 Quincy Street, in Cambridge. Anyone interested in attending should contact Mark Kuchment, Paul Josephson or Loren Graham at the Russian Research Center.

Other Soviet Science and Technology presentations during the year will be announced in this Newsletter.